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A PERCEPTION OF CHARTERED ACCOUNTANTS TOWARDS IFRS

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ABSTRACT

For business success in the present era, values of rich standards and quality accounting standards related to financial reporting are required worldwide in order to operate businesses successfully. In the preceding 3 decades, accounting institutions and the professional accounting community has actively initiated efforts to contribute in the global efforts meant to promote uniformity and harmonisation of financial reporting system and standards. The advent of globalisation has mandated the requirement of having the corporate sector implement a uniform, single and collectively acceptable (global) system of financial reporting. The International Financial Reporting Standards (IFRS) were promulgated with the inputs of International Accounting Standard Board (IASB) with the intention of facilitating a specific set of top quality and comprehensible standards for financial reporting.The introduction of liberalised economic reforms and globalisation in the late-1980s resulted in the course of altering the financial reporting methods in India. Therefore, theGovernment of India also reached to a resolution that decided a convergence of its domestic accounting standards to IFRS. The Institute of Chartered Accountants of India (ICAI)formed a task force in 2006 that had as its objective to propose blue prints for convergence process in India. This research paper is an attempt to examine the scenario in India in regardsto the roadmap of IFRS adoption, adoption efficacy, and convergence process problems.As a conclusion, this research paper proposes various manners to attend to these obstacles.

Keywords: International Financial Reporting Standards (IFRS), Institute of Chartered Accountants of India (ICAI) and International Accounting Standards Board (IASB)

INTRODUCTION

As far as economic development is concerned, a healthy financial reporting system gets its strength via good governance, unmistakably defined quality standards and established regulatory framework. The ICAI – being the accounting standards formulatorof India – hastime and again formulated sustainably effectiveaccounting standards. As globalisation spreads, the vitality of convergence with International Financial Reporting Standards (IFRS) elevates. In the present context, global business village – India – cannottolerate to shield itself from the developments and alterationshappening worldwide.

Defining IFRS is possible in a narrow and in a broad sense. In its narrow sense, IFRS stand for the new-numbered series of pronouncements issued by the IASB. In its broader sense, IFRS comprises standards and interpretations agreed by the IASB, IASC,& SIC. The contemporary set of accounting standards are increasingly based on principles when compared to previous standards. In India, the accounting standards' board formed an

IFRS taskforce having its objective to explore:

1. The approach for attaining convergence with IFRS.
2. Developing a roadmap for attaining convergence with IFRS along with anoutlook to make India IFRS complaint.

The IFRS-converged Indian Accounting Standards (Ind-AS) were launched in February 2011 - the implementation of it, however, was postponed until April 2012 owing to the unavoidable challenges that were facingthe Indian Regulators and corporate players. Regardless of the altering opinions, IFRS'convergence with local standards isn't just a forum of discussion anymore;it's instead a resounding reality.

Cost & Benefits

The transition to IFRS may cause short term hindrances, but in the long run, the benefits of investments and consistency will definitely outweigh the costs and other challenges. The beneficiaries of IFRS implementation comprise of the economy, investors, industry, accounting professionals and all the stake holders at large. Large numbers of Indian entities are expanding their functioning in the global arena. Migration to IFRS will enable them to access international capital markets without the risk premium involved in Indian GAAP financial statements. This migration will also help lowering the cost of raising funds, as it will eliminate the need for preparing dual set of Financial Statements. IFRS statements will enable entities to recognise their relative standing looking beyond country and regional milestones. This will facilitate companies to set targets and milestones based on global business environment, rather than merely local ones.

IFRS adoption by all group entities will enable company managements to have a common reporting platform thus escaping multiple reporting. IFRS will overcome the flaw of not recording business combinations at fair value. (Purchase Consideration paid for intangible assets not recorded in acquires book is usually not reflected separately in financial statements; instead the amount gets added to goodwill. Hence, true value of business combination is not communicated through Financial Statements.) [Ernest & Young]

IFRS adoption will not only open up a bundle of benefits to Indian Corporates but it will also open up a host of opportunities for accounting professionals. As IFRS is principle based, it will provide cross border activities to professionals including accountants, valuers, auditors & actuaries, which will boost the growth prospects for BPO/KPO segments in India. The mobility of accounting professionals in industry also increases in all parts of the world. The benefits and costs associated with IFRS implementation are broadly discussed for three important aspects of accounting, i.e. corporate accounting, public accounting and academia.

Objectives of the Study

1. To understand the IFRS practices through practicing Chartered Accountants/Cost Accountant/ Company Secretaries.
2. To examine the implication of IFRS in the industries

LITERATURE REVIEW

Impact of IFRS on Financial Statements

Large number of studies in various parts of the world analysed the impact of IFRS on corporates. They all found that the adoption of IFRS has had a positive impact on entities, financial reporting and wider economic settings. Daske et al. (2008) and Li (2010) examined the impact of IFRS adoption on international capital markets. Daske et al. (2008) found that firms adopting IFRS in the year of mandatory adoption experience large increases in market liquidity but mixed results for the cost of capital. However, Li (2010) examined the effect of IFRS on the cost of equity in the European Union and found that mandatory adopters of IFRS experience significant reductions in the cost of capital in the years of mandatory adoption, but only in countries with strong legal enforcement.

Other studies have examined the effects of IFRS adoption on accounting quality. Goodwin and Ahmed (2006) studied the impact of IFRS in Australia in relation to the size of entities. Smaller firms had fewer adjustments upon IFRS adoption and experienced increases in net income and equity. In contrast, larger firms had many adjustments, negligible increases to net income, as well as a decrease in equity. Their conclusion is that the adoption of IFRS has been found to have little impact on the accounting quality of smaller firms, and a larger impact on the accounting quality of larger firms. In a similar study, Goodwin, Ahmed and Heaney (2007) found, that on an average, IFRS caused increases in liabilities and leverage ratio and decreases in equity and earnings. These findings are consistent with the results of Hung and Subramanyam (2007), who focused on the detailed financial statement effects of adopting IFRS by using a direct comparison of financial statements prepared under IFRS and German GAAP.

Barth, Landsman and Lang (2008) examined an increase in accounting quality resulting from the adoption of IFRS in 21 countries that previously used domestic GAAP. They concluded that entities that prepare their financial statements under IFRS are exposed to less earnings management, more timely recognition of losses, and more value relevance of accounting amounts than those entities using only domestic GAAP. They also concluded that the quality of accounting information is higher for firms that apply IFRS than for those that do not.

Additional information about the impact of IFRS adoption on financial statements comes from studies that extended the analysis to common financial ratios (Stent, Bradbury and Hooks 2010). Stent et al. (2010) found that adoption of IFRS in New Zealand led to a significant increase in liabilities and a decrease in equity for private sector entities. Adjustments to income taxes, employee benefits and financial instruments were the main reasons for increases in liabilities and decreases in equity

Major Differences between Indian GAAP and IFRS

The international financial reporting standards are quite different from the AS that we have been following. The switch over from GAAP to IFRS is not just a technical exercise of shift from one set of accounting policies to another but much more. This would not only have significant accounting consequences but very far reaching business implication too. The organisations can challenge the way in which they are assessed by investors, stake holders, competitors etc. The impact assessment of transition from AS to IFRS is related to various faces of business because the differences between the two are quite substantial. These differences are mainly related to:

- Business Combinations
- Financial instruments
- Group accounts
- Fixed Assets and investments
- Presentation of Financial Statements
- Share based payments and Employee Benefits
- Revenue Recognition
- Impairment of Assets
- Segment reporting

METHODOLOGY

Data Collection

- Primary Date

Structured questionnaire

- Secondary Data

Information regarding IFRS disclosure in financial statements has been collected from checking Annual Reports of companies taken under study. Internet websites, Books on IFRS, Magazines, Reports etc.

Sample Size

A sample size of 50 was chosen from the selected experienced chartered accountant from Gujarat region for the study.

DATA ANALYSIS

Chartered accountants believe that executives will not invest heavily in planning, budgeting, forecasting and management reporting when IFRS is adopted. Chartered accountants believe that IFRS adoption will take time for the implementation, not believe that IFRS will create major business opportunity. Chartered accountants feel that the adoption will not result in a possible change or development in human resources and sourcing for finance not becomes easy when IFRS is adopted

SUGGESTION

- The balance sheets prepared under IFRS tends to be more useful due to its layout and the consistency, and the level of complexity compared to GAAP that tended to be more detailed
- Need to educate chartered accountants
- IFRS should be implemented in India in different phases with flawless instruction in form of "Help center" as training provided by them is not enough.

CONCLUSION

Implementation of IFRS are critical part for Indian economy and if IFRS will be impulse in future then it will influence parcel to the companies in different viewpoint however Indian economy and legitimate frame work perform indispensable part in this angle and take more time as it is under implementation. The company which is working domestically then there is no need to adopt IFRS since it build the expense in terms of documentation, training to the staff. Indeed blue-chip organization confronts the challenges in beginning so there is doubtlessly for companies in trouble confronting and India set aside an excess of time for nearby standard reception so it's extremely entangle to embrace the worldwide standard in short run.

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