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Accounting Standard and IFRS and evidence of uniform accounting practiced in the context of India and Asian countries

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Abstract: *The study aims to review the accounting practises in India and Asia countries and its convergence with the International Financial Reporting Standards (IFRS). The study is based on secondary data compiled from several sources like reports, journals, publications etc. Apart from India, the other member countries of South Asia or the SAARC Block have been picked up for the study to assess their adaptation to the IFRS. It has been observed that India hasn't fully adopted IFRS. Instead, it has implemented INDAS after converging its domestic accounting practices with the global standards. The companies in India are free to shift to INDAS from 1st April 2015.The IFRS is implemented in Bangladesh in the form of BFRS. All the listed companies in the stock exchanges of that countries are mandated to comply with the BFRS as directed by the ICAB. However, Bangladesh refrains from implementing IAS 39. The listed companies in Maldives are mandatorily required to comply with the IFRS. The companies which are not listed are free to choose either IFRS or IFRS for MSMEs. The Banks in Maldives are also required to comply with the IFRS as per the banking regulation of that country. Bhutan has pledged to implement IFRS since 2012. It had a target of implementing international practices till 2021. Although, the IFRS is not explicitly mandated in the Companies Act, 2000, Bhutan has been increasingly adopting the provisions of IRS. Also, the IFRS is implemented as BAS for the Small and Medium Industries since 2014.The Law of Banking and the Corporations and Limited Liability Companies Law of Afghanistan have mandated that all the Banks and Companies except micro enterprises to follow IFRS. Any newly incorporate company in Afghanistan automatically comes under the ambit of IFRS. Without the presence of Stock exchanges in Afghanistan, all the companies in general are required to follow IFRS. Only the micro units are exempted from implementing IFRS for now. Sri Lanka has implemented SLFRS, which is derived from IFRS post minor modification. Sri Lankan authorities have mandated all the listed accompanies as well as SMEs to implement SLFRS from 2012. However, full compliance to be achieved in a phased manner. The country exempted the entities from disclosing the comparative information from 2013 in divergence from the IFRS 7. Nepal Financial Reporting Standards (NFRS) has been set up in Nepal in convergence with the IFRS. All the listed manufacturing companies in Nepal are required to follow the IFRS. Since 2015, IFRS has been mandatory for the Banking institutions and Public Sector companies. Pakistan has accepted all the IFRS standards except the IFRS 1. The country has mandated all the listed entities to comply with the IFRS. However, the medium and small entities are given choice to comply with either the IFRS or IFRS for MSMEs.*

Key Words: *IFRS, accounting practises, SAARC countries, conformity, IASB, INDAS, MSMEs*

1. INTRODUCTION:

International Financial Reporting Standards (IFRS) have been formulated by International Accounting Standards Board (IASB). IFRS is a set of accounting procedures that guides the business entities how they should maintain and disclose their financial statements in a systematic manner. It seeks to standardize the accounting practices followed by different countries by providing a uniform set of standards for the corporate bodies all over the world. Presently IFRS is implemented in more than 100 countries either fully or partially after some alteration or modification. The following table displays a comparative picture of IFRS and erstwhile practised Generally Accepted Accounting Principles (US GAAP)

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GAAP vs IFRS

	GAAP	IFRS
BOARD GOVERNING	International Accounting Standard Board overseas GAAP.	Financial Accounting Standard Board overseas GAAP.
GLOBAL APPEAL	GAAP is primarily used US	IFRS is used by around 110 countries. Thus has global appeal.
PRINCIPLE vs RULE BASIS	GAAP is Rule Based and not principle based.	IFRS is principle based i.e. companies has some flexibility with disclosure.
INVENTORY METHOD	GAAP prefers LIFO method for valuation of inventory	IFRS does not recommend LIFO (as it reveals lower income)
FIXED ASSET VALUATION	Only cost model can be used for valuing Fixed Asset	IFRS also recognizes the Revaluation model in addition to cost model.
INTANGIBLE ASSET	Intangible assets are valued at Fair Value.	Intangible Assets are valued on the basis of future economic benefits.
EARNING PER SHARE	This averages the individual interim period	This does not averages the individual interim period.
EARNING PER SHARE	If Market Value increases, the company cannot reverse write down	Here, reversal of write down of inventory is possible / allowed.
DEVLOPMENT COST	All development costs are expensed out under GAAP.	Some development costs are expensed and other are capitalized & amortized.
LIABILITIES GROUPING	GAAP requires splitting of liabilities into current and non current.	IFRS does not make such classification.
INCOME STATEMENT	Extra Ordinary and unusual amount are shown below net income	Such items come under income statement.
PREPARATION OF CONS FS.	GAAP prefers a risks-and-rewards model	IFRS is in favor of a control model

Table 1: GAAP vs IFRS (Source: efinancemanagement.com)

The Institute of Chartered Accountants (ICAI), is the Apex organization responsible for the formulation and execution of accounting standards in India. The Accounting Standards Board (ASB) of ICAI, which was formed in 1977, has issued AS-1 to AS-29 for Non-Corporate Entities. With rapid globalization and increased integration of Indian markets with the world, it has become indispensable for the authorities to ensure uniformity in accounting and reporting practices for both domestic and global companies. To align Indian accounting standards with the international practices, the ICAI obtained the membership of the International Accounting Standards Committee (IASC) in 1974. This has resulted in the introduction of Indian Accounting Standards (INDAS) adopting and indigenising 15 standards (AS) out of 33 International Accounting Standards (IAS).

2. REVIEW OF LITERATURE:

Mr. Ashutosh Daga (2014) has investigated approximately the economic exhibition of 3 IT firms – Wipro, TCS and Infosys. administration section of India (specially IT place) has validated an enormous improvement on account that Indian monetary machine opened in the year 1992. The extension of the management segment of India is pushed via Information Technology companies, which are well contributing towards the GDP growth, business employer and fares.

K. Maran (2011), the research clarified the historical backdrop of the Indian programming enterprise might be figured from 1974, when Tata Consultancy Services (TCS) started out of its activities. TCS with its joint endeavours got one of the best programming exporters in the recent days. The Indian programming Industry has made out of an honest US$ 150 million out of 1991-ninety to a splendid US $ 5.7 billion of every 1999-2000.

Achrekar Sachin Vilas Vijaya (2013), this research depicted about percentage exam is a specialized of presenting inner and outside occasions influencing the enterprise exchanges figuring out with its sports, operating consequences and achievement of pre-decided targets and locations of a business company to sum matters up and rundown shape. Proportion examination is the way inside the path of finding out and introducing the relationship of factors or accumulating of factors inside the financial evaluations. In percent exam, a smooth surrender is drawn through constructing up quantitative connection between at the least matters of financial reviews.

Jairus, Banaji &Mody, Gautam (2001) highlighted the issues of corporate governance in the backdrop of changing regulatory background. They focused on the inefficiency of the board, lack of transparency in reporting, lack of uniformity in Indian Accounting standards with the international standards etc. They pitched for greater independence of the board, mandatory provision of nomination committee, greater corporate control etc.
Marshall, D.W. (2014) dissected a revelation score, measure the straightforwardness level and corporate administration exposures made in yearly report of recorded open restricted organizations and distinguished that corporate administration divulgence must be made at least for open constrained organizations in rising economies.

3. OBJECTIVES OF THE STUDY:

- To review the accounting practises in India and its convergence with the International Financial Reporting Standards (IFRS)
- To look into the nature of implementation of IFRS in Asian Countries with reference to the SAARC block.
- To make a comparative analysis of accounting practices and conformity among the Asian countries in the context of IFRS adoption.

4.RESEARCH METHODOLOGY:

The study is based on secondary data compiled from several sources like reports, journals, publications on the extent of implementation of International Financial Reporting Standards (IFRS) in India and Asian countries. The research is qualitative in nature and analyses the conformity of the accounting practices of Indian and Asian countries with the International Standards. Apart from India, the other member countries of South Asia or the SAARC Block have been picked up for the study to assess their adaptation to the IFRS. The countries referenced here are India, Nepal, Bhutan, Afghanistan, Sri Lanka, Maldives, Bangladesh and Pakistan.

5. DATA ANALYSIS:

5.1 India and IFRS

India hasn't fully adopted IFRS. Instead, it has implemented INDAS after converging its domestic accounting practices with the global standards. The companies in India are free to shift to INDAS from 1st April 2015. However, the big Indian companies based on their net worth and listing status are mandated to comply the INDAS. Following table shows the compliance target to be achieved by the Indian companies.

Phase	Companies	Date
I	Net worth Rs. 500 crore or more	1st April 2016
II	Listed Cos & having net worth Rs. 250 crore or more	1st April 2017

Table 1: Compliance Target for the Indian Companies

NBFCs in India are required to gradually shift towards IFRS. However, the relatively smaller NBFCs with the capital size less than Rs 250 crore are permitted to continue with the domestic accounting standards.

Phase	NBFCs	Date
I	Net worth Rs. 500 crore or more	1st April 2018
II	Listed NBFCs having net worth Rs. 500 crore or more	1st April 2019
	Unlisted NBFCs net worth between Rs. 250 & 500 crore	

Table 2: Compliance Target for the NBFCs in India

In the following section we have presented a scenario of the convergence of Indian accounting practices (AS) with the IFRS and corresponding adaptation of INDAS.

Ind AS	IFRS	Title of Ind AS/IFRS	AS/GN	AS/GN Title
101	1	First Time Adoption of Indian Accounting Standards	-	-
102	2	Share Based Payment	GN 18	Guidance Note on Accounting for Employee Share-based Payments
103	3	Business Combinations	AS 14	Accounting for Amalgamations
104	4	Insurance Contracts	-	-
105	5	Non-current Assets Held for Sale and Discontinued Operations	AS 24	Discontinuing Operations
106	6	Exploration for and Evaluation of Mineral Resources	GN 15	Guidance Note on Accounting for Oil and Gas Producing Activities
107	7	Financial Instruments: Disclosures		
108	8	Operating Segments	AS 17	Segment Reporting
109	9	Financial Instruments		

Ind AS	IFRS	Title of Ind AS/IFRS	AS/GN	AS/GN Title
110	10	Consolidated Financial Statements	AS 21	Consolidated Financial Statements
111	11	Joint Arrangements	AS 27	Financial Reporting of Interests in Joint Ventures
112	12	Disclosure of Interests in Other Entities	-	-
113	13	Fair Value Measurement	-	-
114	14	Regulatory Deferral Accounts	GN	Accounting for Rate Regulated Activities
115	15	Revenue from contracts with customers	AS 7 AS 9	Construction Contract Revenue Recognition
116	16	Leases	AS 19	Leases
1	1	Presentation of Financial Statements	AS 1	Disclosure of Accounting Policies
2	2	Inventories	AS 2	Valuation of Inventories
7	7	Statement of Cash Flows	AS 3	Cash Flow Statements

Ind AS	IFRS	Title of Ind AS/IFRS	AS/GN	AS/GN Title
8	8	Accounting Policies, Changes in Accounting Estimates and Errors	AS 5	Net Profit or Loss for the Period, Prior period Items and Changes in Accounting Policies
10	10	Events after the Reporting Period	AS 4	Contingencies and Events Occurring After the Balance Sheet date
12	12	Income Taxes	AS 22	Accounting for Taxes on Income
16	16	Property, Plant and Equipment	AS 10	Property, Plant and Equipment
19	19	Employee Benefits	AS 15	Employee Benefits
20	20	Accounting for Government Grants and Disclosure of Government Assistance	AS 12	Accounting for Government Grants
21	21	The Effects of Changes in Foreign Exchange Rates	AS 11	The Effects of Changes in Foreign Exchange Rates

Ind AS	IFRS	Title of Ind AS/IFRS	AS/GN	AS/GN Title
23	23	Borrowing Costs	AS 16	Borrowing Costs
24	24	Related Party Disclosures	AS 18	Related Party Disclosures
27	27	Separate Financial Statements	-	-
28	28	Investment in Associates and Joint Ventures	AS 23	Accounting for Investment in Associates in Consolidated Financial Statements
29	29	Financial Reporting in Hyperinflationary Economies	-	-
32	32	Financial Instruments: Presentation		
33	33	Earnings per Share	AS 20	Earnings per Share
34	34	Interim Financial Reporting	AS 25	Interim Financial Reporting
36	36	Impairment of Assets	AS 28	Impairment of Assets
37	37	Provisions, Contingent Liabilities and Contingent Assets	AS 29	Provisions, Contingent Liabilities and Contingent Assets
38	38	Intangible Assets	AS 26	Intangible Assets
40	40	Investment Property	AS 13	Accounting for Investments
41	41	Agriculture	-	-

Table 3: Convergence of Accounting Standards and IFRS in India

5.2 Bangladesh and IFRS:

In Bangladesh, the guidelines for the convergence of accounting standards with IFRS is prepared by the Institute of Chartered Institute of Bangladesh (ICAB) and Institute of Cost and Management Accountants of Bangladesh (ICMAB). The IFRS is implemented in Bangladesh in the form of BFRS. All the listed companies in the stock exchanges of that countries are mandated to comply with the BFRS as directed by the ICAB. However, Bangladesh refrains from implementing IAS 39.

5.3. Maldives and IFRS

The listed companies in Maldives are mandatorily required to comply with the IFRS. The companies which are not listed are free to choose either IFRS or IFRS for MSMEs. The Banks in Maldives are also required to comply with the IFRS as per the banking regulation of that country. The Maldivian authorities have instructed the Auditing and Accounting entities to use IFRS as it is already embodied into the various fiscal and financial regulatory acts.

5.4 Bhutan and IFRS:

Bhutan has pledged to implement IFRS since 2012. It had a target of implementing international practices till 2021. The Accounting and Auditing Standards Board of Bhutan (AASBB) is set to implement IFRS in Bhutan in a phased manner. However, the listed companies which were previously allowed to use the GAAP system are given nod to use the IFRS at their convenience. Although, the IFRS is not explicitly mandated in the Companies Act, 2000, Bhutan has been increasingly adopting the provisions of IRS. Also, the IFRS is implemented as BAS for the Small and Medium Industries since 2014.

5.5 Afghanistan and IFRS:

The Art 28 and 101 of the Central Bank Act mandates the application of IFRS by the Da Afghanistan Bank. The Law of Banking and the Corporations and Limited Liability Companies Law of Afghanistan have mandated that all the Banks and Companies except micro enterprises to follow IFRS. Any newly incorporate company in Afghanistan automatically comes under the ambit of IFRS. Without the presence of Stock exchanges in Afghanistan, all the companies in general are required to follow IFRS. Only the micro units are exempted from implementing IFRS for now.

5.6. Sri Lanka and IFRS:

Sri Lanka has implemented SLFRS, which is derived from IFRS post minor modification. Sri Lankan authorities have mandated all the listed accompanies as well as SMEs to implement SLFRS from 2012. However, full compliance to be achieved in a phased manner. The country exempted the entities from disclosing the comparative information from 2013 in divergence from the IFRS 7. Sri Lanka has also translated the accounting standards in local languages for convenience.

5.7. Nepal and IFRS:

Nepal Financial Reporting Standards (NFRS) has been set up in Nepal in convergence with the IFRS. All the listed manufacturing companies in Nepal are required to follow the IFRS. Since 2015, IFRS has been mandatory for the Banking institutions and Public Sector companies. Furthermore, the audit process also demands the compliance with NFRS, which has incentivised the entities to adapt to that alternative version of IFRS.

5.8. Pakistan and IFRS:

Pakistan has accepted all the IFRS standards except the IFRS 1. The country has mandated all the listed entities to comply with the IFRS. This group of companies include all the Publiccompanies, Private companies and the Foreign Companies. Moreover, the large unlisted companies having a capital base of 200 million rupees are also mandated to follow full IFRS. However, the medium and small entities are given choice to comply with either the IFRS or IFRS for MSMEs.

6. CONCLUSION:

So far, it has been observed that the countries in South Asia have either implemented or in the process of implementation of IFRS. However, majority of them has not fully implement the IFRS yet. Apart from Pakistan and Afghanistan, all SAARC countries have adopted their modified local version of IFRS. However, all the countries more or less mandated the listed companies to comply with the international standards. Though the transition of small and micro entities to the global practices is yet to be materialized properly. India already had a set domestic accounting standards for its entities. Although the implementation of INDAS in lines with IFRS is ongoing, the old standard is still followed by the unlisted companies. Such a scenario is common to many other Asian countries. Many South Asian countries suffer from lack of qualified professionals, resources, training, Information Technology and regulatory deadlocks towards the swift transition to uniform global accounting practices.

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