

Global Professional Opportunities in IFRS



Spreading its jurisdiction across 130 countries in the world, the International Financial Reporting Standards (IFRS) a uniform set of Global Accounting Standards, has created a whole new lot of opportunities for professionals across the world. The jurisdictions include all the G20 Countries and 110 others. The 130 jurisdictions referred to above include all of the 31 member states of the European Union (EU) and the European Economic Area (EEA). Securities of close to 8,000 IFRS companies are traded on a regulated market in Europe. In 76 countries across the world, an auditor's report is required to refer to conformity with the IFRS. Read on to know an overview of IFRS and the global opportunities these offer to accounting professionals.



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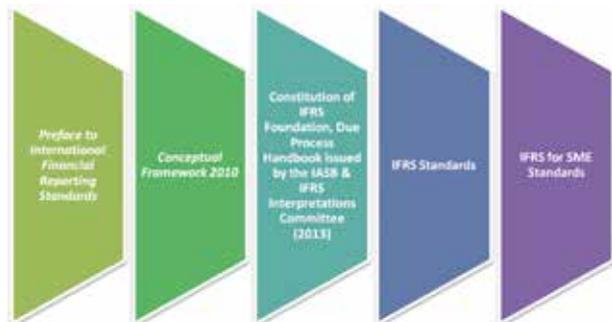
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The IFRS

The Standards in Accounting are prescribed to guide and regulate the accounting of various transactions pertaining to business. These International Financial Reporting Standards (IFRS) have been adopted across several countries offering the application of uniform standards for recognising, measurement and disclosure of items of financial statements.

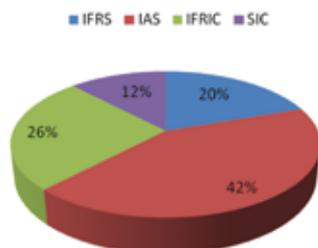
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What Comprises IFRS?



Preface to International Financial Reporting Standards which sets out IASB's mission and objectives, the scope of International Financial Reporting Standards (IFRS), due process for developing IFRS and Interpretations, and policies on effective dates, format, and language for the IFRS. *Conceptual Framework 2010* which serves as a guide to resolving accounting issues that are not addressed directly in a standard. Along with the above Constitution of IFRS Foundation, Due Process Handbook issued by the IASB & IFRS Interpretations Committee (2013), IFRS and SME IFRS standards consolidate to the applicable literature on IFRS.

Number of International Financial Reporting Standards (IFRS)



Total number of IFRS (effective as on 1st January 2014) = 66
(IFRS - 13, IAS - 28, IFRIC Interpretations – 17, SIC Interpretations – 8)

Application of IFRS across the Globe

Spreading its jurisdiction across 130 countries in the world, the International Financial Reporting Standards (IFRS) a uniform set of Global Accounting Standards has created a whole new lot of opportunities for professionals across the world.

The jurisdictions include all the G20 Countries and 110 others. Almost 81% of the jurisdictions require

'Preparation and Reporting' is one of the most required IFRS services in India and abroad. It includes 'First time adoption of IFRS Standards,' 'Offering model financial statements, checklists and questionnaires,' 'Preparing Financial or Regulatory Reports as per IFRS,' 'Prepare Financial Statements as per IFRS,' and 'Setting up systems and processes and contributing to the establishment of a control and assurance framework for the data for the Company's Financials, IFRS and Regulatory Reporting.'

IFRS for all or most domestic publicly accountable entities. The IFRS is a requirement for all companies whose securities are traded in a regulated market. The 130 jurisdictions referred to above include all of the 31 member states of the European Union (EU) and the European Economic Area (EEA). Securities of close to 8,000 IFRS companies are traded on a regulated market in Europe.

In 76 countries across the world, an auditor's report is required to refer to conformity with the IFRS standards. While in other 21 countries the auditor's report refers to conformity with the national standards.

With regard to IFRS standards for SMEs out of the 130 jurisdiction where IFRS has been adapted, 63 jurisdictions require or permit IFRS for SMEs while an additional of 16 jurisdictions are under consideration.

Scope of IFRS

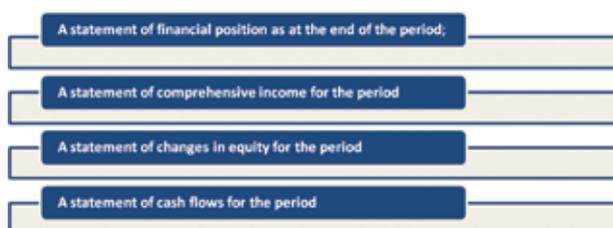
- IFRS sets out recognition, measurement, presentation and disclosure requirements of transaction and events in general purpose financial statements.
- IFRSs apply to the general-purpose financial statements and other financial reporting by profit-oriented entities *i.e.*, those engaged in commercial, industrial, financial, and similar activities, regardless of their legal form.
- Entities other than profit-oriented business entities may also use the IFRS with certain changes in terminologies.
- General purpose financial statements are intended to meet the common needs of shareholders, creditors, employees, suppliers, government and the public at large for information about an entity's financial position, performance, and cash flows.

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- IFRS apply to consolidate as well as separate financial statements.
- If an IFRS allows both a 'benchmark' and an 'allowed alternative' treatment none of them is preferred treatment. However, in developing Standards, IASB intends not to permit choices in accounting treatment. Further, IASB intends to reconsider the choices in existing IASs.
- IFRS presents fundamental principles in bold face type and other guidance in non-bold type (the 'black-letter'/'grey-letter' distinction). Paragraphs of both types have equal authority.
- IFRS does not prescribe as who should apply IFRS. It is left to upon the national standard setters to decide which entities would be bound to comply with IFRS.
- Compliance should be in totality *i.e.*, all IFRSs, IFRICs, SICs and Framework including disclosure requirements specified.
- An *explicit and unreserved* statement of compliance must be given in notes.
- Information should be relevant, reliable, comparable and understandable.
- Presentation and disclosures should not be misleading.
- The titles and captions used should be consistent with the definitions used in the standards.
- The financial statements may be supplemented by additional disclosures beyond IFRS if required but those statements would be considered out of scope of the IFRS.
- Complete set of financial statements should be presented at least annually though shorter or longer period may be permitted with some disclosures.
- Comparative figure for corresponding previous period must be given.

Components of Financial Statements

IAS 1 defines a complete set of Financial Statements to be comprised of the following:



- A statement of comprehensive income for the period;
 - Components of profit or loss may be presented either as part of a single statement of comprehensive income or in separate income statement
 - When an income statement is prepared it should be displayed immediately before the statement of comprehensive income
- Notes to Accounts, comprising a summary of significant accounting policies and other explanatory information, and
- A statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Features of Financial Statements

- Fair presentation and compliance with the IFRS:

Broad Based Principles of IFRS

a. Substance over Form:

The IFRS gives the priority to the substance of the transaction rather than its legal form. Some of the instances of the transaction and events to support these would be:

- debt equity classification
- operating lease and finance lease demarcations
- sale contracts with rights to re-purchase
- sale with retention of risk and rewards

b. Fair Value Oriented

IFRS includes a variable blend of both historic cost and fair value measurement. For example:

- HTM, Loans and Receivables assets and financial liabilities other than those measured at FVTPL are measured at amortised costs whereas financial assets and liabilities at FVTPL and available for sale

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Audit of the IFRS Financial Statements requires in depth understanding of the IFRS standards. Internal Audit seems to gain ground in the wake of steady adoption of the IFRS convergence and compliance. It is essentially required to make sure the to-do list of IFRS compliance can be fairly complied with.

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financial assets are subsequently measured at amortised costs.

- Both cost and fair valuation approach is permitted for investment property, PPE and intangible assets.
- Biological assets are carried at fair value.
- Fair value model is also used in business combinations, employee benefits and some other standards.

c. Principle based not Rule based

The IFRS are basically principle-based standards as it prescribes basic principles of accounting the transactions. There are many things which have been left to the judgment of the preparers. It also contains many subjective terms like 'significant', 'more than significant', 'impractical', 'reliably', etc. In the absence of any specific guidance on the measurement of Fair value, the application of fair value method is also matter of subjectivity.

d. Predominance of Statement of Financial Position

The IFRSs are balance sheet predominant. In other words, more emphasis has been given to the entities financial position at the end of the reporting period than the entities performance during the year. This is evident by the fact that the income and expenses under the IFRS are recognised corresponding to increase or decrease in assets and liabilities which leads to increase/decrease in the equity of the entity other than from contribution from the equity participant.

First Time Adoption of IFRS

The IASB has dedicated a whole standard IFRS 1 for the understanding the process of first time adoption of IFRS. A novice if *IFRS may find IFRS 1 First-time Adoption of International Financial Reporting Standards very difficult to understand*. Therefore, one should attempt to understand this standard only after a thorough understanding of all other IFRSs.

Classification of IFRS Standards

The IFRS standards can be classified as follows for better understanding

- I. Presentation of Financial Statements
- II. Financial Reporting by Group Entities
- III. Recognition, Measurement, Presentation & Disclosure of Assets

IV. Recognition, Measurement, Presentation & Disclosure Of Income

V. Recognition, Measurement, Presentation & Disclosure Of Expenses & Liabilities

VI. Financial Instruments

VII. Industry Based Standards

VIII. Disclosure Standards

IX. First Time Adoption Of IFRS [IFRS 1]

Reading the IFRS is undoubtedly a herculean task. Understanding the logical application of 66 standards definitely requires a systematic approach towards the subject.

Global Opportunities in IFRS

Some of the most required IFRS services in India and abroad are as follows

1. Preparation and Reporting

- First-time adoption of IFRS Standards
- Offering model financial statements, checklists and questionnaires
- Preparing Financial or Regulatory Reports as per IFRS
- Prepare Financial Statements as per IFRS
- Setting up systems and processes and contributing to the establishment of a control and assurance framework for the data for the Company's Financials, IFRS and Regulatory Reporting
- Closing and Reporting in IFRS
- Preparation of accounting manual for group with multiple entities/jurisdictions IGAAP or IFRS
- Preparing IFRS reports for banking industry

2. Consultancy Service

An in-depth understanding of the concept of International Financial Reporting Standards is sure to offer a great deal of scope in offering consultancy services in accounting

- Assessment and application of the IFRS
- Recommendation of IFRS accounting policy
- Consultation on the application and interpretation of the IFRS standards in reference to specific transactions

3. Convergence

While understanding the application of IFRS is seen as a big challenge, the first baby step towards acceptance is convergence. Even though the Indian Accounting Standards are based on the IFRS, convergence points out to fairly clear acceptance of International standards adapted to Indian conditions.

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- Conversion of financial statements from other country GAAP to IFRS.
- Reverse conversion for overseas acquisition IFRS to National GAAP wherever applicable
- Accounting support for client when selecting new consolidation system for example, elimination entries required or multi-currency reporting.

4. Advisory Roles

- Expertise in the field of the IFRS accounting offers scope for senior advisory roles in organisations which are fairly new to the IFRS convergence in the first hand and compliance consequently
- Impact Assessment for change of GAAP (from country based GAAP to IFRS)
 - o Defining and recommending changes in system requirements
 - o Quantification of Impact on shifting to IFRS
 - o *Pro forma* the IFRS Financial Statements
 - o Capital and Tax Positions on adopting of the IFRS Standards
 - o Trial on Financial Reporting under the IFRS
 - The IFRS impact assessment for cross-border acquisition.
 - EBITDA impact of acquisition.
 - Accounting policy alignment pre- or post-acquisition
 - Opinion – Offering opinion on the concept and principles of Accounting under IFRS. Given the multifarious issues a discussed under IFRS, offering clarity on their application becomes as essential function

5. Internal Control System Services

Evaluation and Implementation of Internal Controls related to IFRS accounting standards

6. Taxation Services - Direct and Indirect Tax Reporting on IFRS

Regulatory update, Tax and required reporting followed by accounting solutions in IFRS related to tax planning/structuring.

7. Training

Given that IFRS compliance is a key requirement for better compliance, not only the auditors but even the preparers of accounts should be aware of the IFRS requirements. Those who were hitherto experts in compliance of accounting standards have a need to update themselves with the latest requirements. Auditors can be the best trainers. Training amounts to not just a professional opportunity, instead it also simplifies the process of compliance.



8. Audit

Audit of the IFRS Financial Statements requires in depth understanding of IFRS standards. Internal Audit seems to gain ground in the wake of steady adoption of the IFRS convergence and compliance. It is essentially required to make sure the to-do list of the IFRS compliance can be fairly complied with.

9. Other Services

Other services include

- Writer of Technical Material
- Training for IPSAS in UN bodies and other NPO
- Research work for various trade bodies like IBA/IRDA/RBI
- To become Trustees or assist other countries

Indian Accounting Standards (Ind As)

Converged IFRS or Indian Accounting Standards (Ind AS) are the near final Indian Accounting Standards issued by Institute of Chartered Accountants of India and notified by the Government of India. While the draft of 36 standards issued by ICAI, are converged with IFRS, only 35 standards have been notified. The date of implementation of the Ind AS will be notified by the Ministry of Corporate Affairs at a later date. Ind AS standards are still not notified under Companies Accounting Standard Rules, 2006 therefore the hitherto accounting standards are still applicable. These standards do not resemble IFRS. Both by presentation and measurement principles they are new set of accounting standards developed in the line of IFRS. ■