IFRS Convergence and ICAI

With accounting having become the global language of business, the convergence with International Financial Reporting Standards (IFRS) is the need of the hour as an economic imperative for India. This convergence will bring us a golden opportunity to comprehensively re-assess financial reporting and a clean sheet of paper approach to financial policies and processes, while helping our economy at large, including our industry and investors. Our capital markets will be more robust and there will be a new flow of foreign investments into our country. Besides, this will unleash a new era of much-needed accounting reforms in India which will ultimately lead to an added global recognition and tremendous demand for IFRS-trained Indian accounting professionals.

Weighing these and many more benefits of the convergence, the ICAI has been an ardent proponent of convergence with IFRS, and its stand was vindicated when Finance Minister Shri Arun Jaitley announced in his maiden Budget speech that Indian Accounting Standards converged with IFRS are to be adopted in India from next year on a voluntary basis and mandatorily a year later, much in line with the roadmap submitted by the ICAI to the Government. The new Companies Act, 2013 has also introduced various new provisions, including the requirement to prepare Consolidated Financial Statements, which would also facilitate the implementation of Ind AS converged with the IFRS.

With more than 100 countries having adopted or permitted the IFRS, and India having already committed at G20 in this regard, we cannot afford to lag behind any further, and the process of implementation of Ind AS converged with IFRS needs to be speeded up further. It is welcome that the Government has reconstituted the National Advisory Committee on Accounting Standards (NACAS) to push the convergence process in India.

On its part, the ICAI has been proactively helping the Government to facilitate convergence and bring the financial reporting practices of Indian corporates at par with the global standards ever since 2007 when the convergence idea was mooted. The ICAI is fully prepared to meet the challenge of the implementation and is ready with the updated Ind AS corresponding to IFRS, besides having started nation-wide exhaustive exercise to train our members.

Post-February 2011 when 35 Ind AS were put on the MCA's website, the ICAI has finalised seven new/revised Ind ASs along with certain amendments to other Ind ASs corresponding to the new/revised IFRSs. These include Ind AS 110 *Consolidated Financial Statements* corresponding to IFRS 10, Ind AS 111 *Joint Arrangements* corresponding to IFRS 11, Ind AS 112 *Disclosure of Interests in Other Entities* corresponding to IFRS 12, Ind AS 113 F*air Value Measurement* corresponding to IFRS 13, Ind AS 27 *Separate Financial Statements* corresponding to IAS 27, Ind AS 28 *Investments in Associates and Joint Ventures* corresponding to IAS 28, Ind AS 19 *Employee Benefits* corresponding to IAS 19, Ind AS 41 *Agriculture* corresponding to IAS 41, Ind AS 109 *Financial Instruments* corresponding to IFRS 9, Ind AS 114 *Regulatory Deferral Accounts* corresponding to IFRS 14 and Ind AS 115 *Revenue from Contracts with Customers* corresponding to IFRS 15. These Ind ASs have been submitted to the NACAS for its consideration.

The IFRS-converged Indian Accounting Standards (Ind ASs) only depart from the corresponding IFRSs to maintain consistency with legal, regulatory and economic environment. In some cases, departures are made on account of conceptual differences with the treatments prescribed in the IFRSs. The ICAI, while carrying out the process of convergence with IFRSs, always attempts to keep these departures to the minimum and these are also taken forward and discussed with the International Accounting Standards Board (IASB) from time to time. The IASB has recently amended IAS 41 on the lines suggested by ICAI. Recently, the carve outs/ins have been examined and revised corresponding to new/revised Ind ASs in the context of the amendments made in IFRSs.

Some carve outs relating to 35 Ind ASs placed on MCA's website are proposed to be removed as these have been addressed by the IASB. These are: *'Revenue recognition from real estate sale agreement,' 'Accounting for Bearer Plants,' 'Gains on Own Credit Deterioration,' 'Accounting for Associates,' 'Investments in Associates through Mutual Funds, etc,' 'Forex gains/losses on Long-term Monetary Items,'* and *'Comparatives in First Ind AS Financial Statements.'*

Major carve-outs which are still continuing include *'Foreign currency Convertible Bonds: Exception in the definition 'Financial Liability'* and *'Carrying Values of PPEs etc. may be used in First Ind AS Financial Statements.'* The new carve outs proposed to be included are: *'Current/Non-current Classification in case of breach of loan covenants,'* and *'Straight-lining of lease rentals in operating leases.'*

With these fast-paced developments, India's ICAI-initiated convergence drive is fast reaching its culmination and it is hoped that the new/revised Ind ASs converged with IFRS will be notified by December end this year, which will only speed up the ongoing process of India becoming a global hub of accounting professionals. ■

-Editorial Board ICAI – *Partner in Nation Building*