

Concept Paper on Convergence with IFRSs in India



The Institute of Chartered Accountants of India

Concept Paper on Convergence with IFRSs in India



**The Institute of
Chartered Accountants of India**

PREFACE

Convergence with International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs) (collectively referred to as IFRSs), issued by the International Accounting Standards Board (IASB) has gained momentum in recent years all over the World. More than 100 countries currently require or permit the use of or have a policy of convergence with IFRSs. Certain other countries have announced their intention to adopt IFRSs from a future date, e.g., Canada from the year 2011, and China from the year 2008. Financial Accounting Standards Board (FASB) of USA and IASB are also working towards the convergence of the US GAAPs and the IFRSs. The Securities & Exchange Commission (SEC) has mooted a proposal to permit filing of IFRS-compliant financial statements without requiring presentation of a reconciliation statement between US GAAPs and IFRSs in near future. In this scenario, India being an important emerging economy in the World, is yet to adopt the IFRSs. Internationally, insofar as cross-border investments are concerned, a non-IFRSs compliant country is perceived as an additional risk factor. Within India also, in recent times, the issue of convergence with IFRSs has been raised time and again at various forums.

Recognising the above scenario, the Council of the Institute of Chartered Accountants of India (ICAI), at its 259th meeting, held on May 2-4, 2006, expressed the view that the IFRSs may be adopted in toto at least for listed and large entities, also keeping in view the expected advantages such as saving in cost of capital for Indian entities raising capital abroad, saving in cost for such entities for not preparing separate set of financial statements, expected improvement in the image of Indian industry and the accounting profession in the eyes of the world, and increasing opportunities for Indian professionals abroad. In this context, the Council also noted that in respect of the recently issued Accounting Standards, there are hardly any divergence from the corresponding IFRSs and, accordingly, India is already progressing on the path of full convergence with IFRSs. To consider various issues involved in detail, the Council referred the matter to the Accounting Standards Board.

The Accounting Standards Board (ASB), at its 127th meeting, held on August 11, 2006, considered the matter and supported the Council's view that there would be several advantages of converging with IFRSs. The Board was, however, of the view that there were various implications of converging with IFRSs and that certain issues were required to be addressed such as the conflicting legal and regulatory requirements related to financial statements, the technical preparedness of industry and accounting professionals, economic environment prevailing in the country, etc. The Board was also of the view that convergence with IFRSs would be an important policy decision as it would significantly affect not only the status of accounting discipline in the country but would also affect its economy. The Board was, therefore, of the view that before taking any decision on the matter, it would be useful to develop a Concept Paper which could be discussed with various interest-groups involved including the government, the National Advisory