

“IFRS Convergence in India-A Conceptual Study”

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Abstract

The International Accounting Standards Board (IASB) developed the International Financial Reporting Standards (IFRS) in 2001 as a collection of high-quality and universally acceptable financial reporting standards. Currently, Indian corporations prepare their financial statements in accordance with generally accepted accounting standards (GAAP), which are based on the International Financial Reporting Standards (IFRS). These concepts, however, have been significantly amended in accordance with Indian laws and norms. This paper examines the role and current status of IFRS in India, as well as the benefits and challenges of IFRS convergence in the country.

Key Words: Convergence, IFRS, GAAP, Pros and Cons.

1. Introduction

India is one of the world's growing economies. Foreign Direct Investment (FDI) is needed for economic development, and in order to improve the investment climate, it wants to integrate its financial reporting with the rest of the world's economies so that investors from outside can understand the companies' financial results and financial positions. Globalization of business firms and entities, as well as the accompanying structures and regulations, as well as the emergence of the notion of e-commerce, resulted in the creation of a single worldwide acknowledged financial reporting system.

The International Financial Reporting Standards (IFRS) are used in several countries throughout the world. The goal of adhering to the IFRS is to have a single accounting language used all over the world. The adoption of a standardized set of accounting principles.

2. Objectives of the Study:

1. The goal of this study is to learn more about the current state of IFRS convergence in India.
2. To investigate the pros and cons of IFRS convergence.
3. To investigate how international financial reporting standards are applied in India.
4. to investigate the effect on Indian company.

A company having presence in several countries needs to prepare financial reports based on the Generally Accepted Accounting Principles (GAAP) of the nation has necessary to adjust for the aim of consolidation according to the Accounting Standards of respective nation to which the headquarters of the respective company. It has given an opportunity of harmonization of accounting. This has raised the problem of harmonization of accounting policies, presentation, revelation etc. Harmonization of accounting

standards has become a extremely demanded issue of dialogue} and debate among accounting professionals round the globe. the utilization of International monetary coverage Standards (IFRS) as a universal monetary coverage language is gaining thrust across the world. Adopting IFRS by Indian company goes to be terribly difficult however at identical time might even be satisfying. Indian company is probably going to reap vital advantages from adopting IFRS. Overall, most investors, budget preparers and auditors were in agreement that IFRS improved the standard {of monetary of monetary of economic} statements which IFRS implementation was a positive development for financial coverage. There square measure probably to be many advantages to company within the Indian context. These square measure Improvement in comparison {of monetary of monetary of economic} data and financial performance with international peers and trade standards. This may lead to a lot of clear monetary coverage of a company's activities which can profit investors, customers and different key stakeholders in Bharat and overseas. The adoption of IFRS is predicted to lead to higher quality of monetary coverage thanks to consistent application of accounting principles and improvement in liableness of monetary statements. This, in turn, can cause raised trust and reliance placed by investors, analysts and different stakeholders in an exceedingly company's monetary statements. However, the perceived advantages from IFRS adoption square measure supported the expertise of IFRS compliant countries in an exceedingly period of delicate economic conditions. the {present this} decline in market confidence in Bharat and overseas plus more durable economic conditions might present vital challenges to Indian firms. Indian firms can got to build awareness amongst investors and analysts to clarify the explanations for this volatility so as to enhance understanding, and increase transparency and reliableness of their monetary statements. This example is worsened by the dearth of availableness of execs with adequate valuation skills, to help Indian company in inward at reliable truthful price estimates. this is often a big resource constraint that might impact comparison of monetary statements and render a number of the advantages of IFRS adoption ineffective. though IFRS square measure principles-based standards, they provide bound accounting policy decisions to preparers of monetary statements. IFRS square measure developed by the International Accounting Standards Board (IASB) that is a world customary setting body. However, the responsibility for social control and providing steerage on implementation vests with regime and accounting regulative bodies, like the ICAI in Bharat. Consequently, there is also variations in interpretation or employment of IFRS provisions, that might additional cut back consistency in monetary coverage and comparison with international peers. The ICAI can got to create adequate investments and build infrastructure to confirm compliance with IFRS.

The main objective of IFRS development is harmonization in money statements coverage.

Some further objectives are:

1. To form the worldwide money coverage infrastructure.
2. To come up with sound business sense among the beneficiaries.
3. To come up with the scale of honest presentation of economic statement.

Pros of IFRS

IFRS Convergence users

1. The Economy: once the market expand globally the necessity for convergence will increase since the convergence advantages the economy by increasing growth of its international business. It facilitates maintenance of orderly and economical capital markets and conjointly helps to extend the capital formation and thereby economic process. It encourages international investment and thereby results in additional foreign capital flows to the country.

2. Investors: a robust case for convergence are often made up of the point of view of the investors World Health Organization would like to take a position outside their own country, Investors need the data that's additional relevant, reliable, timely and comparable across the jurisdictions. monetary statements ready employing a common set of accounting standards facilitate investors higher perceive investment opportunities as opposition monetary statements ready employing a completely different set of national accounting standards. Investors' confidence is powerful once accounting standards used ar globally accepted. Convergence with IFRS contributes to investors' understanding and confidence in prime quality monetary statements.

3. The business: a serious force within the movement towards convergence has been the interest of the Industry. The business is in a position to lift capital from foreign markets at lower price if it will produce confidence within the minds of foreign investors that their monetary statements befits Globally Accepted Accounting Standards. With the range in accounting standards from country to country, enterprises that operate in numerous countries face a large number of accounting needs prevailing within the countries. The burden {of monetary|of monetary|of economic} news is lessened with convergence of accounting standards as a result of it simplifies the method of getting ready the individual and cluster monetary statements and thereby reduces the price of getting ready the financial statements victimization completely different sets of accounting standards.

4. Accounting Professionals: but, there would be ab initio several issues however convergence with IFRS would certainly profit the accounting professionals and it'll be useful them to sell their talent and experience across the world.

Cons of IFRS

It is considered that each and every benefit there is a drawback attached to the companies located in India. They are Follows

- 1. Difference in generally accepted accounting practices and IFRS:** Adoption of IFRS implies that the complete set of economic statements are going to be needed to bear a forceful modification. The variations square measure wide and extremely deep routed. it'd be a challenge to give birth to awareness of IFRS and its impact among the users of economic statements.
- 2. Coaching and Development:** Lack of coaching and educational information in IFRS may be a challenge as so much as Indian economy cares. There's a requirement to impart education and coaching on IFRS and its application. so adequate coaching ought to run to the stakeholders. Then solely it will be uniformly understood and systematically applied.

3. **Legal and restrictive Considerations:** Presently, the money reportage needs square measure approved by varied restrictive authorities in Asian country and their provisions override different laws and regulators. IFRS doesn't acknowledge such dominant laws. So, such laws and restrictive in Asian country can produce challenges to IFRS and its application.
4. **Honest worth measurement:** IFRS uses honest worth base to live majority of things within the money statements. the utilization of honest worth accounting will bring loads of volatility and sound judgment in money statements.
5. **Money reportage system:** In Asian country money reportage is finished consistent with standards issued by ICAI (Institute of leased Accountants of India). we'd like to amend identical to suit the wants of IFRS. the knowledge systems ought to be designed to capture new needs associated with fastened assets, phase disclosures, connected party transactions etc.
6. **Taxation:** gift state of affairs, Indian Tax laws don't acknowledge the Accounting Standards. To entertain immediate modification within the Indian law is that the major challenge Janus-faced by the Indian Law manufacturers.
7. **Change in it systems:** monetary accounting and reportage systems should be able to turn out sturdy and consistent knowledge for reportage. The system should be capable of capturing new data needed for speech act like honest values of monetary instruments, connected party transactions, phase data etc.

Conclusion

IFRS has become the money reportage commonplace for a major quantity of states round the world. However, out of all the countries, solely a selected handful truly totally adopts IFRS as issued by the IASB. most significantly, we have a tendency to all ought to bear in mind that convergence to one set of worldwide accepted prime quality standards is ultimately within the best interests of the general public, tributary to economical capital flows at intervals countries and across borders. Within the views of the bulk of participants, international convergence is important to economic process. Thus, whereas the challenges ar nice, the rewards ar doubtless even bigger. Bharat has many constraints and sensible challenges to adoption and compliance with IFRS. However at an equivalent time gazing the benefits that this adoption can confer, the convergence with IFRS is powerfully suggested as a result of the measures taken by ICAI and therefore the different restrictive bodies to facilitate the sleek convergence to IFRS ar worthy and provides the positive concept that the country is prepared for convergence. The ICAI has issued interpretations and steerage note on accounting standards with a read to resolve varied interpretational problems arising within the implementation of recent accounting standards. more to resolve the problems, it's needed to use adequate IFRS skills professionals by finance coaching processes for Indian accounting professionals to manage the conversion comes for Indian company.

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