

Introduction to IFRS

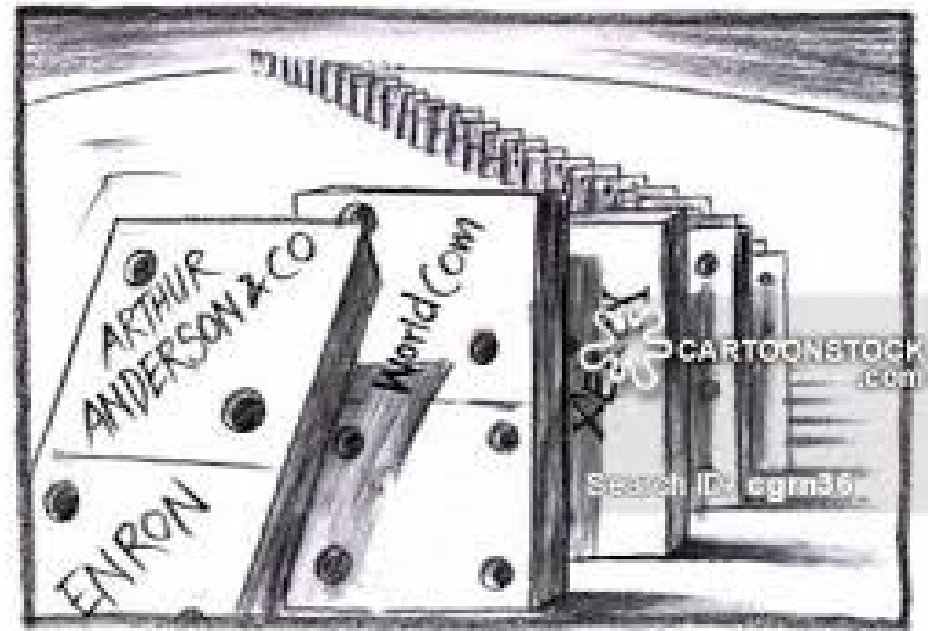
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Birth of Accounting Standards

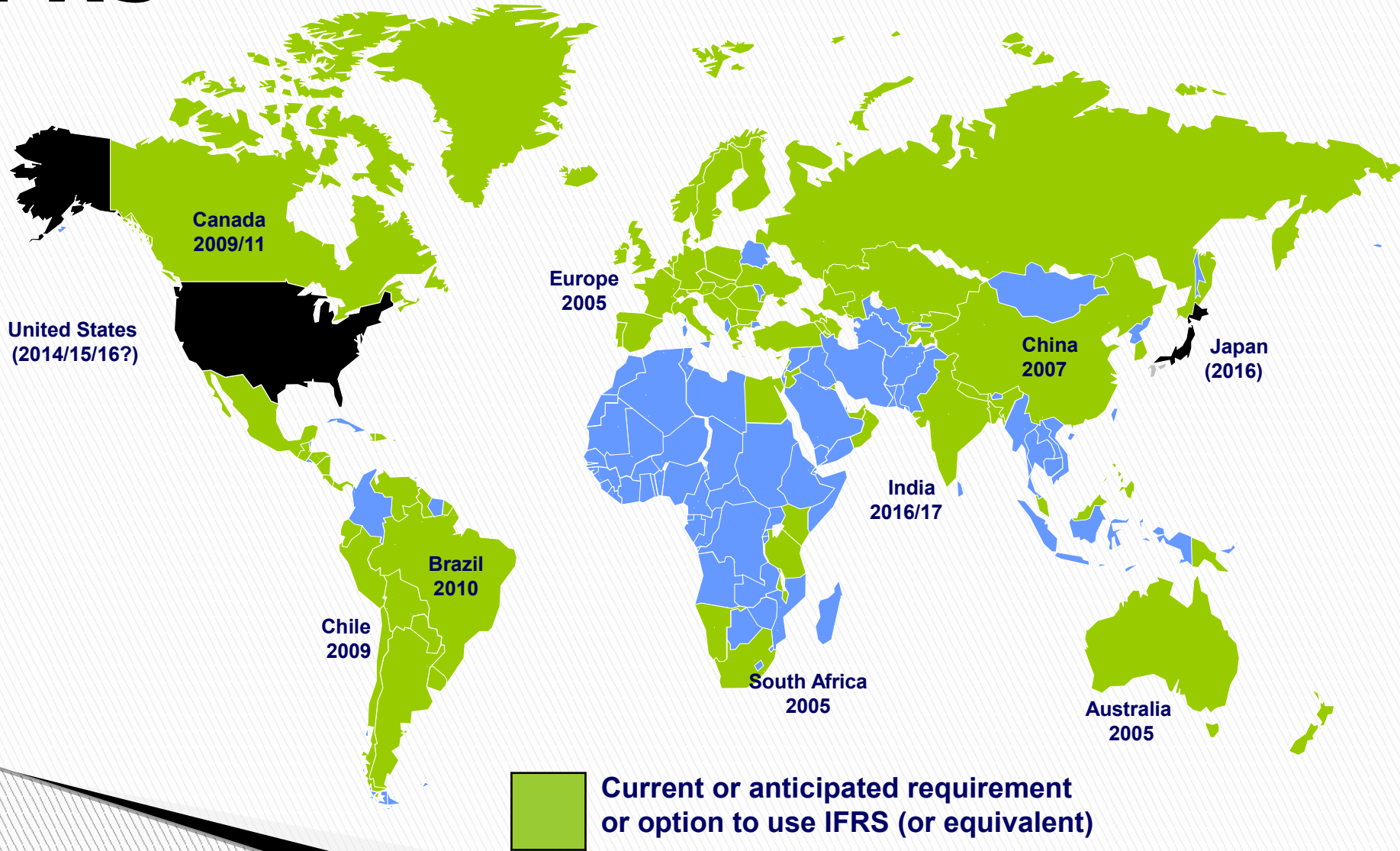
- ▶ Around 1966
- ▶ IASC & FASB Study Group
- ▶ IAS/FAS
- ▶ No talk of single accounting language

Birth of IFRS

- ▶ Gaps is US GAAP
- ▶ Lack of comprehensive principles in IAS
- ▶ Norwalk Agreement
- ▶ Financial Reporting



The Global Move Towards IFRS



India's attempt.

2009
2014



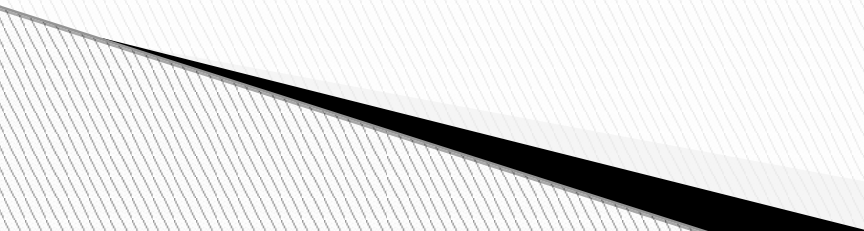
Only a Roadmap.
No Road.

In this period, IASB has amended IAS 39
four times!

Does India need IFRS?

- ▶ Many GAAPs in Indian GAAP
- ▶ Scams and Stocks
- ▶ Accounting for financial instruments
- ▶ Not tested globally

India GAAP..shortcomings

- ▶ Too many options
 - ▶ Delayed implementation
 - ▶ Not applicable to all
 - ▶ Not tested globally
 - ▶ Focus on accounting not reporting
 - ▶ Complicated transactions not dealt with
 - ▶ Need-based disclosures
- 

Financial Reporting

- ▶ Existing and potential investors
- ▶ Creditors
- ▶ Lenders
- ▶ Shareholders
- ▶ Analysts
- ▶ Investment Advisories
- ▶ Employees

Framework. Characteristics

- ▶ Relevance
- ▶ Faithful representation
- ▶ Comparability
- ▶ Verifiability
- ▶ Timeliness
- ▶ Understandability

Fundamental

Enhancing

Summary

IFRIC- International Financial Reporting Standards Interpretation Committee

SIC - Standards Interpretation Committee

Standards	44
IFRIC	17
SIC	8

New Standards

- ▶ Share-based payments
- ▶ Business Combinations
- ▶ Investment Property
- ▶ Non-current assets held for sale
- ▶ Insurance Contracts
- ▶ Exploration and Evaluation of mineral resources
- ▶ Fair Value Measurement

What's different in IFRS?

- ▶ Concept of Fair Value
- ▶ Annual Review
- ▶ Concept of Componentization
- ▶ Discounting
- ▶ Financing elements in Revenue
- ▶ Useful lives
- ▶ Prior Period
- ▶ Extraordinary items
- ▶ Current and non-current classification

What's different?

- ▶ Extensive Disclosures
- ▶ Compound Financial Instruments
- ▶ Presentation
- ▶ Financial Instruments
- ▶ Customer loyalty programs
- ▶ Service concession agreements
- ▶ Website development costs
- ▶ Barter transactions

What's different?

- ▶ Concept of control IFRS 10
- ▶ Regulatory Deferral Accounts

Benefits of IFRS

- ▶ Closest we can get to a single global accounting language
- ▶ Ease of raising funds without having to do a reconciliation
- ▶ The focus is right- on financial reporting

Issues in India?

- ▶ Too many regulators



Revised Road-map

Year	Class of Companies
Listed companies, to-be listed companies, companies with net worth > Rs 500 crore and their subsidiaries and joint ventures	31 st March 2017 with one year comparatives
Listed companies, to-be listed companies, companies with net worth > Rs 250 crore and their subsidiaries and joint ventures	31st March 2018 with one year comparatives

Not applicable to banks, insurance companies and NBFC's

60% IFRS?

- ▶ Revised Schedule VI
- ▶ Companies Act 2013
- ▶ XBRL filing

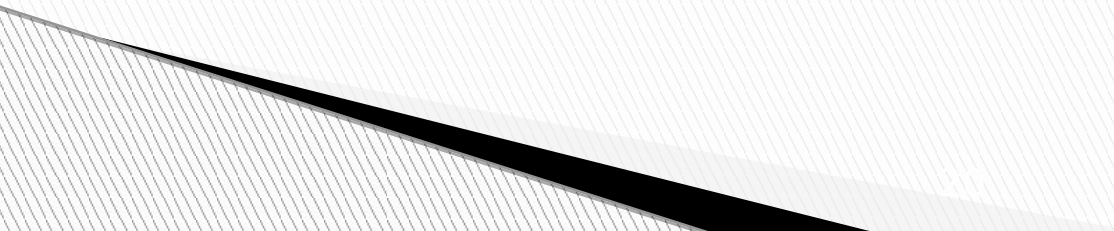
Balance Sheet @ FV

- ▶ Capital
- ▶ Reserves
- ▶ Loans- Secured and Unsecured
- ▶ Current Liabilities
- ▶ Fixed Assets
- ▶ Intangible Assets
- ▶ Current Assets
- ▶ Loans and Advances

Equity and Liabilities

Assets

Challenges in IFRS

- ▶ Where are the valuers?
 - ▶ Training
 - ▶ Information systems
 - ▶ Tax allowability?
 - ▶ Communication with shareholders
- 

Fair Value- Villain or Saviour?

- ▶ The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
 - ▶ Illiquid markets
 - ▶ Inactive Markets
-
- ▣ “Cant Manage what you cant measure”
 - ▣ Alternative?

IFRS in India

- ▶ Adoption v/s Conversion
- ▶ Carve-outs
- ▶ AS 29,30,31

Disadvantages of IFRS

- ▶ Too many disclosures
- ▶ Over-reliance on the word “ judgment”
- ▶ Lack of taxation comfort