INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INDIAN ACCOUNTING STANDARDS

Ashok Sehgal[1] and R.K. Saha[2]

The drastic changes since the early 90's in economic philosophy and environment coupled with privatization and globalization has necessitated advancement in accounting principles followed in India and in global practices relating to corporate financial reporting. The present article primarily discusses the need for globalization of financial reporting practices and the Indian roadmap to take the Indian financial reporting norms closer to international practices along with its pros and cons. This article consists of nine sections dealing with meaning of International Financial Reporting Standards &Indian Accounting Standards, Adoption of IFRS V. Convergence, Need for Globalization of Financial Reporting Standards, Roadmap for Convergence in India, Present Status of Converged Indian Accounting standards, Risks associated with Convergence, Effect of Indian Accounting Standards on Income Tax and Tax Returns and concluding observations respectively.

1 International Financial Reporting Standards

The International Financial Reporting Standards (IFRSs) mean the International Accounting Standards(IASs) issued between 1973 and 2001 by the International Accounting Standards Committee (IASC),Accounting Standards Interpretations issued by standard Interpretation Committee(SIC) Of IASC, the International Financial Reporting Standards issued from 2001 onwards by the International Accounting Standards Board(IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. IASB is a privately funded international accounting standards setter based in London. At present, there are 29 International Accounting Standards(IASs), 11 interpretations issued by Standards Interpretations Committee, 9 International Financial Reporting standards (IFRSs) and 16 interpretations issued by International Financial Reporting Interpretations Committee.

2 Indian Accounting Standards

Indian Accounting Standards are the standards are the standards issued by the Central government in consultation with the National Advisory Committee on Accounting

1. Associate Professor, Department of Commerce, Shri Ram College of Commerce, University of Delhi, Delhi.

2. Assistant Professor, Department of Commerce, Shri Ram College of Commerce, University of Delhi, Delhi.

Standards (NACAS). Since the beginning of the 21st Century, particularly in the later half of the first decade, the move is to harmonise the Indian financial reporting practices with the International financial reporting norms. The harmonization of the country specific reporting with global reporting practices may be achieved by following either adoption approach or adaption/ convergence approach.

Adoption of IFRSs means following the IFRS in toto without any exception. Convergence with IFRSs means achieving harmony with IFRSs. In other words, convergence with IFRSs can be considered as designing and applying the national accounting standards to ensure that financial statements prepared in accordance with the national accounting standards draw an unreserved compliance with IFRSs. Paragraph 14 of the International Accounting Standard (IAS) 1 states that financial statements shall not be described as complying with the IFRS unless they comply with all the requirements of IFRS. However, the IASB accepts in its 'Statement of Best Practice: Working relationship between the IASB and other accounting standards setters' that adding disclosure requirements or removing optional treatments does not create non-compliance with IFRSs. In fact, the IASB wants to remove optional treatments from IFRSs. This makes it sufficiently clear that if a country wants to add a disclosure that is considered necessary in the local environment or removes an optional treatment, this will not amount to non-convergence with the IFRSs i.e. it can still be said to comply with the IFRSs. Thus, convergence with IFRSs means adoption of IFRSs with the aforesaid exceptions, where necessary.

There has been a lot of debate in the past over the question whether India should adopt IFRSs or it should converge its own Accounting Standards with IFRSs. Finally, it was decided by the Government of India, in consultation with the ICAI and the National Advisory Committee on Accounting Standards (NACAS) constituted under section 210A of the Companies Act, 1956, that India should converge its national Accounting Standards with IFRS and should not adopt the same. To achieve this, Indian Accounting Standards are revised to fall in line with the IFRSs. The ministry of Corporate Affairs has notified 35 converged Indian accounting standards.

3 Adoption of IFRS *vs* Convergence

IFRSs issued by the IASB are not country specific; they are meant to be applied across the globe. Each country has its own peculiarities. Even the European Union (EU) examines the IFRSs issued by IASB and considers, before their application by companies being made mandatory, whether any changes are required in them or not. In Indian context, it was observed that adoption of IFRSs may not be practicable and departures will have to be made mainly on the following grounds:

(I) Legal and regulatory environment prevailing in the country

Different regulators may prefer to enforce a particular accounting standard from a date as they consider appropriate. Due to the different legal environment prevailing in India, adoption of IFRS without any modification is not practicable. For example, IAS 1 'Presentation of Financial Statements' gives the option to follow different terminology for the titles of the financial statements. This option has been removed in the converged Indian Accounting Standard 1 'Presentation of Financial Statements' by prescribing only one terminology to be used by all the entities, e.g. use of the term 'balance sheet' instead of the term 'Statement of financial position'. These changes are considered necessary keeping in view the terminology prevalent in the country. Various laws use this term and it is not practicable to change them at each and every place. Further, IAS 1 requires an entity to present an analysis of expenses recognized in the Statement of Profit and Loss using a classification based on either their nature or their function within the entity. The converged Indian Accounting Standard 1 requires the entity to present only nature wise classification of expenses as the Schedule VI to the Companies Act, 1956 is based on the nature wise approach. Further, Indian companies are accustomed to present the nature wise classification of the expenses so far and at the same time, presenting the expenses only nature wise does not lead to non-convergence.

(ii) Economic environment prevalent in the country

Certain IFRSs have been framed on the presumption of certain economic environment. For example, IAS 41 'Agriculture' has been based on the fair value approach but markets in India may not have adequate depth and breadth for determination of the fair value in a reliable manner in the present economic environment.

(iii) Industry preparedness and practices in the country

Certain changes in the convergence process may be required in view of the prevailing industry practices in the country. For example, International Financial Reporting Interpretations Committee 15 (IFRIC 15) requires the real estate developers to recognize the revenue in their financial statements based on the completion method i.e. only in the last year of the completion of the project. In that case, the Profit & Loss Account of the developers will not truly and fairly reflect the performance of the business, as during the past years the real estate project continues, no revenue will be recognized. In other words, the Profit & Loss Account will not reflect the measure of performance of the business.

For the industry, certain additional/clarificatory guidance may be required. For example, additional clarificatory guidance regarding items of a similar nature for the purpose of disclosure has been included in the converged Indian Accounting Standard 18 'Related Party Disclosures' which is not there in the IAS 24 'Related Party disclosures'.

(iv) Removal of alternatives permitted in IFRSs

Under IFRSs, a number of optional treatments are permitted. Giving all the options would not be appropriate as it would adversely affect the comparability of financial statements between the entities. In some cases, such as in converged AS 15 'Employee Benefits' optional treatments of accounting for actuarial gains and losses arising on defined benefit obligations and related defined benefit plans as per the corridor approach or by recognizing the entire amount of actuarial gains and losses in Profit & Loss Account prescribed in IAS 19 are removed, keeping in view the Indian scenario. Entities would now be required to recognize these gains and losses in 'Other comprehensive Income'

(v) Conceptual issues

There are certain conceptual issues due to which IFRSs cannot be adopted in totality. For example, IAS 39 requires recognition of gains on measurement of financial liabilities designated at fair value through profit or loss in the Statement of Profit and Loss even though these arise because of the deterioration of the entity' own credit risk. This treatment has not been considered appropriate conceptually as it is felt that an entity should not book a gain in such circumstances.

In view of the above reasons, it has been thought proper that convergence is a better approach than adopting the IFRS in toto. Endeavour has also been made by ICAI to convince the IASB for resolution of the differences as above and IASB has also been convinced in some cases.

4 Need for Globalization of Financial Reporting Standards

India should converge its accounting standards with IFRS because of a number of advantages which are as under:

(i) Benefits to the economy

Convergence benefits the economy by increasing the growth of international business. It facilitates the maintenance of orderly and efficient capital markets and also helps in increasing the capital formation and thereby economic growth. It encourages international investing and thereby leads to more capital flows into the country because the people all over the globe will be able to understand the financial statements based on the international standards of a very high quality financial reporting.

(ii) Benefits to the investors

Investors want the information that is more relevant, reliable and timely across the countries. Financial statements prepared using a common set of accounting standards all over the world help investors understand investment opportunities as opposed to financial statements prepared using a different set of national accounting standards. For better understanding of the financial statements, global investors have to incur more cost in terms of the time and efforts to convert the financial statements so that they can confidently compare the opportunities. Investors' confidence would be strong if the accounting standards used in the preparation of the financial statement are globally accepted.

(iii) Benefits to the industry

The industry would be able to raise capital from the foreign markets at lower cost if it can create confidence in the minds of the foreign investors that their financial statements comply with the globally accepted accounting standards. With the diversity in accounting standards from country to country, enterprises which operate in different countries face a multitude of accounting requirements prevailing in different countries. The burden of financial reporting is lessened with convergence of accounting standards because it simplifies the process of preparing the individual and group financial statements and thereby reduces the costs of preparing the financial statements using the different sets of accounting standards.

(iv) Benefits to the accounting professionals

Accounting professionals will be able to sell their services as experts in different parts of the world. Really speaking, the convergence initiative has come mainly from the accountants in public practice. For accounting professionals in industry as well as in practice, their mobility to work in different parts of the world increases.

5 Roadmap for Convergence in India

For this purpose, the Ministry of Corporate Affairs has issued two Press Releases dated 22nd January, 2010 and 31st March, 2010 for applicability to the companies other than the banking, Insurance and finance companies and for applicability to the banking, insurance and finance companies respectively. The summary of the roadmaps as mentioned above is given in the tabular form as under:

Roadmap - Ready Reckoner

Companies other than Insurance companies, Banking companies and Non-Banking finance companies			Insurance companies, Banking companies and Non-Banking finance companies		
Will Apply to	Date of Applicability	Will not Apply to	Will Apply to	Date of Applicability	Will not Apply to
Phase I:- (i) NSE-Nifty 50 and BSE-Sensex 30 Companies (ii) Companies listed in overseas stock exchanges (iii) Companies with net worth above ₹ 1000 crores	1st April, 2011	(I) Unlisted companies having a net worth of ₹ 500 crore or less and whose securities are not listed overseas (ii) Small and medium companies (SMCs) They can voluntarily opt to follow the converged Accounting Standards	(I) all insurance companies (ii) (a) NSE-Nifty 50 or BSE-Sensex 30 NBFCs and NBFCs, listed or not, having a net worth above ₹ 1000 crore. (b) Scheduled commercial banks and urban co-operatives banks with net worth above ₹ 300 crore (iii) Urban co-operative banks having a net worth in excess of ₹ 200 crore but not exceeding 300 crore	1st April, 2012 1st April, 2013 1st April, 2014	(I) Urban co-operative banks having net worth ≥200 crore and regional rural banks (ii) Listed NBFCs and unlisted NBFCs, not being part of Nifty and Sensex, with net worth above ₹ 500 crore (iii) Unlisted NBFCs having a net worth of ₹ 500 crore or less They can voluntarily opt to follow the converged accounting standards
Phase II:- Companies whether listed or not having a net worth exceeding ₹ 500 crore but not above ₹ 1000 crore	1st April, 2013				
Phase III:- Listed companies having a net worth of ₹ 500 crore or less	1st April, 2014				

* When the accounting year ends on a date other than 31st March, the conversion of the opening Balance Sheet will be made in relation to the first Balance Sheet which is made on a date after 31st March.

The Ministry has also issued a clarificatory Press Release dated 4th May, 2010 which are as under:

C. Consolidated Statement on Clarifications on the Roadmaps for Application of Converged Indian Accounting Standards by Companies (vide Press Release dated 4th May,2010)

S. No.	Issue	Clarification
Determination of applicability		
1.	The companies, covered in the phase I, would be required to convert their opening balance sheet as at 1st April 2011 in compliance with the first set of Accounting Standards (i.e. the converged Accounting Standards). Accordingly, companies are not required to provide comparative figures for the year 2010-11 as first set of Accounting Standards (i.e. the converged Accounting Standards). Whether companies can voluntarily opt to provide comparative figures for 2010-11 as per the first set of Accounting Standards (i.e. the converged Accounting Standards)?	Companies covered in Phase I will prepare their financial statements for 2011-12 in accordance with the first set of Accounting Standards (i.e. the converged Accounting Standards) but will show previous years' figures as per the financial statements for 2010-11 i.e. as per non-converged accounting standards. However, the entity shall have the option to add an additional column to indicate what these figures could have been if the first set of Accounting Standards (i.e. converged accounting standards) had been applied in that previous year. Companies which make this additional disclosure will, for this purpose, convert their opening balance sheet as at the date on which this previous year commences and, in that case, a further conversion of the opening balance sheet for the year for which the financial statements are prepared will not be necessary.
2.	Whether companies covered in 2nd / 3rd phase for application of the first set of Accounting Standards (i.e. the converged Accounting Standards) can voluntarily opt to apply the same w.e.f accounting year beginning on 1.4.2011?	Such Companies will have an option for application of the first set of accounting standards (i.e. the converged Accounting Standards) only for the financial

2.	Whether companies covered in 2^{nd} / 3^{rd} phase for application of the first set of Accounting Standards (i.e. the converged Accounting Standards) can voluntarily opt to apply the same w.e.f accounting year beginning on 1.4.2011?	year commencing on 1^{st} April, 2011 or thereafter.
3.	As per the roadmap, in phase I, the following categories of companies (other than banking companies, insurance companies and NBFCs) will convert their opening balance sheet as at 1^{st} April, 2011 in compliance with the first set of Accounting Standards(i.e. the converged Accounting Standards) a. Companies which are part of NSE – Nifty 50 b. Companies which are part of BSE – Sensex 30 c. Companies whose shares or other securities are listed on stock exchanges outside India d. Companies, whether listed or not, which have a net worth in excess of ₹1,000 crores What is the cut-off date on which the aforesaid criteria shall be applied in order to determine the companies falling in each of the aforesaid four categories of companies which will convert their opening balance sheet as at 1^{st} April, 2011 in compliance with the first set of Accounting Standards (i.e. the converged Accounting Standards)?	The date for determination of the criteria is the Balance Sheet as at 31^{st} March 2009 or the first Balance Sheet prepared thereafter when the accounting year ends on another date.
4.	As per the proposed roadmap for Banks and NBFCs, in phase I, the following categories will convert their opening balance sheet as at 1^{st} April, 2013 in compliance with the notified accounting standards which are converged with IFRS: **I) Banks** All scheduled commercial banks and those urban co-operative banks which have a net worth in excess of Rs. 300 crores will convert their opening balance sheet as at 1^{st} April, 2013 in compliance with the first set of accounting standards (i.e., converged accounting standards) **ii) NBFCs** a. Companies which are part of NSE – Nifty 50 b. Companies which are part of BSE – Sensex 30 c. Companies, whether listed or not, which	The date for determination of the criteria is the Balance Sheet as at 31st March 2011 or the first Balance Sheet prepared thereafter when the accounting year ends on another date.

6.	Once a company gets covered in the specified class of companies in any one of the phases, as identified in the roadmap issued by the Ministry and converts its opening Balance Sheet as per the specified date in accordance with the first set of Accounting Standards(i.e. the converged Accounting Standards), whether it would have to continue to follow the same set of accounting standards in the future as well even if it no longer satisfies the specified criteria? Will it be possible for such a company to revert to existing Indian accounting standards?	Once a company starts following the first set of Accounting standards (i.e. the converged Accounting Standards) on the basis of the eligibility criteria, it will be required to follow such Accounting standards for all the subsequent financial statements even if any of the eligibility criteria does not subsequently apply to it.
Calculation of net worth		
7.	What are the rules for calculation of qualifying net worth to be recommended to the companies in order to determine their applicability for applying the first set of Accounting Standards (i.e. converged accounting standards)?	For the purpose of calculation of qualifying net worth of companies, the following rules will apply: a. The net worth will be calculated as per the audited balance sheet of the company as at 31st March 2009 or the first balance sheet for accounting periods which end after that date. b. The net worth will be calculated as the Share Capital plus Reserves less Revaluation Reserve, Miscellaneous Expenditure and Debit Balance of the Profit and Loss Account. c. For companies which are not in existence on 31st March 2009, the net worth will be calculated on the basis of the first balance sheet ending after that date. The calculation of net worth is for the purpose of the criteria only since "net worth" is a part of the criteria.
8.	What are the rules for calculation of qualifying net worth to be recommended to the scheduled commercial Banks/ urban co-operative Banks/ NBFCs in order to determine their applicability for applying the first set of Accounting Standards (i.e. the converged Accounting Standards)?	For the purpose of calculation of qualifying net worth of scheduled commercial Banks/ urban co-operative Banks/ NBFCs, the following rules will apply:

		a. The net worth will be calculated as per the audited balance sheet of the scheduled commercial Banks/ urban co-operative Bank/NBFC as at 31st March 2011 or the first balance sheet for accounting periods which ends after that date. b. The net worth will be calculated as the Share Capital plus Reserves less Revaluation Reserve, Miscellaneous Expenditure and Debit Balance of the Profit and Loss Account. c. For scheduled commercial Banks/ urban co-operative Banks/NBFCs which are not in existence on 31st March 2011, the net worth will be calculated on the basis of the first balance sheet ending after that date. The calculation of net worth is for the purpose of the criteria only since "net worth" is a part of the criteria.
Removal of options		
9.	In case the notified converged accounting standard is not fully consistent with the IAS/IFRS (i.e., despite intention to fully converge, some deviations remain), as issued by the IASB, it is presumed that Indian companies will continue to follow the first set of Accounting Standards (i.e. converged accounting standards) as notified by the Government of India and not adopt IFRS in toto.	Companies will follow the first set of Accounting Standards (i.e. the converged Accounting Standards) and not the IFRS.

Though the ministry of Corporate Affairs had announced to apply the converged Accounting Standards to the specified companies in different phases commencing on 1st April, 2011 as indicated in the Press Release dated 22nd January, 2011 given above, it has postponed the said applicability and will announce the date of applicability commencing on a date to be notified later on. However, t has notified the converged Accounting Standards for the sake of study by the stakeholders so that they can make themselves ready to apply the same when the date of application is later on notified.

6 Present Status of the Converged Indian Accounting Standards

At present, thirty-five (35) Converged Indian Accounting Standards have been finalized and are in the process of being notified. The date of applicability of these Standards will be notified by the Government later on. The details of these Standards may be seen on the website of the ministry on www.mca.gov.in. Further, there is one more standard on 'Agriculture' which is in the process of finalization by the Government in consultation with National Advisory Committee on Accounting Standards (NACAS) and will be hosted on the website of the ministry and notified later on. Thus, effectively, there will be thirty-six (36) converged Indian Accounting Standards.

Till the date of applicability of converged Indian Accounting Standards is notified by the Government, all the Indian companies, including those covered in the different phases of the roadmaps, will follow the existing non-converged Indian accounting standards which are given as **Annexure 1** to this article.

But, once the date of applicability of the converged Indian Accounting Standards is notified by the government, the companies covered in the different phases of the roadmap will follow the converged Indian accounting Standards from the date of applicability as applicable to them and the other companies will follow the existing non-converged Indian Accounting Standards as mentioned in the above table.

The list of converged Indian Accounting standards and the corresponding International financial Reporting Standards as on date are given as **Annexure 2** to this article.

7 Risks Associated with Convergence

The conversion to Ind-AS would be one of the most fundamental changes in the financial reporting in the Indian history. The nature of changes at the accounting, functional, transactional and internal control levels increases the risk of misstatement. Further, current financial reporting environment has little tolerance for mistakes. Misstatements and missing of the reporting deadlines present a significant risk to the companies that are converting.

A robust system of internal control may be the company's best method of ensuring reporting integrity and the minimization of the risk of misstatement. The examples of the potentially significant risk areas include

a) Failure to communicate the effects and results to stakeholders, including boards, audit committees, investors and analysts.

b) Accounting and reporting under multiple reporting frameworks during the transition period.

c) Maintaining consistency in the manner in which the various Ind-ASs principles are applied throughout the organization. The problem may increase when the subsidiaries have already adopted the IFRSs or their equivalents.

d) Retention of key employees

e) Excessive costs brought on by ineffective planning, project management

f) Unreasonable or excessive work level brought on by the inappropriate planning or unreasonable expectation

g) Missed deadline in the conversion time-table.

Inability of the CEO/CFO to conclude and certify on the effectiveness of the company's internal control over financial reporting as required under clause 49 of the Listing Agreement.

Key areas that need to be addressed

There are many key areas that need to be addressed during the conversion are as under:

(i) Project launch and planning activities

The initial decisions made during the project set up phase tend to be crucial for the eventual project success. These include:

a) Creating a project management function to co-ordinate project activity and monitor/report progress

b) Structuring the project team based on the results of the impact assessment phase.

c) Assigning sufficient resources to the team and determining that the team comprises the individuals with appropriate skills to fulfill their responsibilities.

(ii) Revision of accounting policies

Reassessing the accounting policies under Ind-AS will be one of the most important elements of the project because the decisions made in this area will drive many of the changes required throughout the business and will have direct implications for the future business results. For instance, accounting policy decisions will affect data collection requirements, which will in turn affect IT system requirements, business processes to collect and record the data, internal control system covering data validity etc. The tax related effects of the revision of accounting policies will also need to be addressed in the conversion process. Audit Committees and the Board will need to review and be comfortable with the policies selected by the management.

(iii) Application of Ind-As 41

Another key area that needs to be addressed is how the management will apply Ind-AS 41. The Ind-As 41 provides guidance on how to adopt Ind –As for the first time and provides companies with a number of exemptions from the requirements of other standards. The decisions made in applying Ind-As 41 will often have a significant impact on the financial statements for many years to come.

(iv) Development of the skeleton financial statements compliant with Ind-As

Companies will have to redraft the sections of their financial statements to meet the Ind-As disclosure requirements. There are multiple benefits in preparing a skeleton set of the financial statements during the preliminary phase of the project as it focuses attention on the actual disclosure requirements of the business and, therefore, crucial in the process of identifying 'data gaps' that need to be plugged. It is also helpful to put the overall change management challenge and give project teams a concrete goal.

(v) Preparation/restatement of the financial information from Indian GAAP to Ind-AS for comparative accounting period:

The compilation of the comparative financial information for inclusion in the first set of Ind-As financial statements may prove to be one of the most challenging areas of the project. The board, through its Audit committee, needs to be satisfied as to whether careful consideration has been given to the approach adopted by the management to compile this information. It may, however, be pointed out an exemption has been given in Ind As-41 that in the first year of the transition to the Ind-As, an entity may not be required to present the previous year comparatives as per the Ind AS and the previous year figures may, thus, be as per the previous Indian GAAP, if the entity so desires, with an appropriate disclosure in the financial statements.

(vi) Transition approach

If a company has subsidiaries, then it is better to adopt the Ind-As for both the consolidated and the separate financial statements of the parent and the subsidiaries at the same time even though the parent and the subsidiaries are covered in the different phases of the applicability of the converged Ind-As as per the announcement by the Ministry of Corporate Affairs. This will help in a better control over the activities of the subsidiary and also in a meaningful comparison of the results of the subsidiaries.

(vii) Identifying and resolving the data capture issues

The increased level and complexity of the disclosure requirements under the Ind-AS may require significant resources and setting up of processes to collate this data. Some of the data underlying the new disclosures may be time consuming to extract or may need significant analysis before it is ready for disclosure purposes.

(viii) Retraining of personnel

Boards need to be satisfied in terms of the adequate investment to be made in retraining the employees throughout the organization in order to meet their changed technical knowledge needs.

8 Effect of the Ind-AS on Income Taxes and Tax Returns

There are many important tax related issues of conversion that boards and management need to discuss on priority. Currently, the profit before tax in accordance with the Indian GAAP is used to calculate taxable income and the tax expense thereon. Upon the application of the Ind-AS, the first question that is likely to arise is whether the tax authorities will accept the new standards as a base to determine the taxable income, of course, after certain adjustments? Countries that have already adopted IFRS are following varying practices. For example,

i. There are countries such as the U.K., Singapore, New Zealand, which are using IFRS as a starting point for tax computation. Nevertheless, certain adjustments need to be made for items such as unrealized gains/losses while computing the taxable income.

ii. In countries such as France and Germany, the tax computation is still based on the local GAAP.

iii. In very few cases, for example, Australia, tax laws entail detailed rules for computation of tax liabilities i.e. the tax computation is based neither on the local GAAP nor on IFRSs.

The above approaches indicate that in the last two cases, companies will require to maintain two separate sets of books- one for financial reporting purposes and the other for tax computation purposes and thereby the cost of implementation is significantly raised.

The Central Board of Direct Taxes and the ICAI have constituted a joint study Group to identify direct tax issues arising out of convergence. Additional clarity on the tax related issues is expected only when the study group completes its work, which may take some more time. If the contentious issues are not resolved in time, it is possible that the tax base will continue to be determined in accordance with the Indian GAAP.

9 Concluding Observations

To conclude, in view of a number of advantages accruing to India from the convergence of Indian accounting Standards with IFRSs and also in view of the commitments made by India in G-20 Nations meeting held in September, 2009, it should go ahead with the convergence as India should not lag behind other countries of the world in the preparation and presentation of globally acceptable high quality corporate financial reporting. However, the corporates should ensure the availability of adequate infrastructure for an easy transition to converged Indian accounting Standards and thereby preparation and presentation of error free financial reports. At the same time, the Government should also ensure that the resulting changes in the laws, wherever needed, due to the application of the converged Indian Accounting Standards are made in time and last, but not the least, the tax issues are resolved as soon as possible for the avoidance of the unnecessary disputes between the corporates and the government.

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Annexure 1

Table showing the list of Existing non-converged Indian Accounting standards

Existing Accounting Standards (Non converged) No.	Existing Accounting Standards (Non converged) Nomenclature with the status of applicability
1	Disclosure of Accounting Policies
2	Valuation of Inventories
3	Cash Flow Statements
4	Contingencies and Events occurring after Balance Sheet Date
5	Net Profit and Loss for the period, Prior period Items and Changes in Accounting
6	Depreciation Accounting
7	Construction Contracts
8	Revenue Recognition
9	Accounting For Fixed Assets
10	The Effects of changes in Foreign Exchange Rates
11	Accounting For Governments Grants
12	Accounting For Investments
13	Accounting For Amalgamations
14	Employee Benefits
15	Borrowing Costs
16	Segment Reporting
17	Related Party Disclosures
18	Leases
19	Earnings per Share
20	Consolidated Financial Statements
21	Accounting for Taxes on Income
22	Accounting for Investments in Associates in consolidated Financial Statements
23	Discontinuing operations
24	Interim Financial Reporting
25	Intangible Assets
26	Financial Reporting of Interests in Joint Ventures
27	Impairment of Assets
28	Provisions, Contingent Liabilities and Contingent Assets
29	Financial Instruments: Recognition and Measurements
30	Financial Instruments: Presentation
31	Financial Instruments: Disclosures

Annexure 2

List of converged Indian Accounting standards (Ind ASs) and the corresponding International Financial Reporting standards (IFRSs/IASs) as on date

SI No.	Ind Ass No.	Ind Ass nomenclature	IFRSs/IASs No.	IFRSs nomenclature
1	1	Presentation of Financial Statements	IAS 1	Presentation of Financial Statements
2	2	Inventories	IAS 2	Inventories
3	7	Statement of Cash Flows	IAS 7	Statement of Cash Flows
4	8	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
5	10	Events after the Reporting Period	IAS 10	Events after the Reporting Period
6	11	Construction contracts	IAS 11	Construction contracts
7	12	Income Taxes	IAS 12	Income Taxes
8	16	Property, Plant & Equipment	IAS 16	Property, Plant & Equipment
9	17	Leases	IAS 17	Leases
10	18	Revenue	IAS 18	Revenue
11	19	Employee Benefits	IAS 19	Employee Benefits
12	20	Accounting for Government Grants and Disclosure of Government Assistance	IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
13	21	The Effects of Charges in Foreign Exchange Rates	IAS 21	The Effects of Charges in Foreign Exchange Rates
14	23	Borrowing Costs	IAS 23	Borrowing Costs
15	24	Related Party Disclosures	IAS 24	Related Party Disclosures
16	27	Consolidated and Separate Financial Statements	IAS 27	Consolidated and Separate Financial Statements
17	28	Investment in Associates	IAS 28	Investment in Associates
18	29	Financial Reporting in hyperinflationary Economics	IAS 29	Financial Reporting in hyperinflationary Economics
19	31	Interests in Joint Ventures	IAS 31	Interests in Joint Ventures
20	32	Financial Instruments: Presentation	IAS 32	Financial Instruments: Presentation
21	33	Earnings per Share	IAS 33	Earnings per Share
22	34	Interim Financial Reporting	IAS 34	Interim Financial Reporting
23	36	Impairment of Assets	IAS 36	Impairment of Assets

24	37	Provisions, Contingent Liabilities and Contingent Assets	IAS 37	Provisions, Contingent Liabilities and Contingent Assets
25	38	Intangible Assets	IAS 38	Intangible Assets
26	39	Financial instruments: Recognition and Measurement	IAS 39	Financial instruments: Recognition and Measurement
27	40	Investment Property	IAS 40	Investment Property
28	101	First-time Adoption of Indian Accounting Standards (Ind Ass)	IFRS 1	First-time Adoption of Indian Accounting Standards (Ind Ass)
29	102	Share-based Payment	IFRS 2	Share-based Payment
30	103	Business Combinations	IFRS 3	Business Combinations
31	104	Insurance Contracts	IFRS 104	Insurance Contracts
32	105	Non-current Assets Held For Sale and Discontinued Operations	IFRS 105	Non-current Assets Held For Sale and Discontinued Operations
33	106	Exploration For and Evaluation of Mineral Resources	IFRS 106	Exploration For and Evaluation of Mineral Resources
34	107	Financial instruments: Disclosures	IFRS 107	Financial instruments: Disclosures
35	108	Operating Segments	IFRS 108	Operating Segments