

The Status of Ifrs in Asia With Special Reference To India, Pakistan and Japan

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ABSTRACT

The vision of a harmonized accounting world may inspire many minds but in the practical field it is hard to go about embracing a situation where accounting principles and procedures are perfectly harmonized among countries through out the world. The development of harmonized accounting rules and a uniformity of approach among countries towards education and training of professional accountants should accompany principles. Further more, the harmonization of accounting rules and principles among countries should also be accompanied by inter country harmonization in auditing principles and standards. Differences are still there but they are narrowing. It is expected that the pace of progress in the sphere of harmonization will accelerate further in the coming years.

Introduction

The rapid growth of international trade and internationalization of firms, the developments of new communication technologies, the emergence of international competitive forces is perturbing the financial environment to a great extent. Under this global business scenario, the residents of the business community are in badly need of a common accounting language that should be spoken by all of them across the globe. A financial reporting system of global standard is a pre-requisite for attracting foreign as well as present and prospective investors at home alike that should be achieved through harmonization of accounting standards.

Objectives of the study

1. To understand the concept of IFRS
2. To get a glimpse of IFRS in Asian Countries

International Financial Reporting Standards (IFRS) are principles-based standards, interpretations and the framework (1989) adopted by the International Accounting Standards Board (IASB). Many of the standards forming part of IFRS are known by the older name of International Accounting Standards (IAS). IAS were issued between 1973 and 2001 by the Board of the International Accounting Standards Committee (IASC). On April 1, 2001, the new IASB took over from the IASC the responsibility for setting International Accounting Standards.

It is generally expected that IFRS adoption worldwide will be beneficial to investors and other users of financial statements, by reducing the costs of comparing alternative investments and increasing the quality of information. A current overview on the countries covered under the study that have adopted IFRS.

India The Institute of Chartered Accountants of India (ICAI) has announced that IFRS will be mandatory in India for financial statements for the periods beginning on or after 1 April 2011. This will be done by revising

existing accounting standards to make them compatible with IFRS. Reserve Bank of India has stated that financial statements of banks need to be IFRS-compliant for periods beginning on or after 1 April 2011.

The ICAI has also stated that IFRS will be applied to companies above Rs.1000 crore from April 2011. Phase wise applicability details for different companies in **India:**

Phase 1: Opening balance sheet as at 1 April 2011*

- i. Companies which are part of NSE Index - Nifty 50
 - ii. Companies which are part of BSE Sensex - BSE 30
- a. Companies whose shares or other securities are listed on a stock exchange outside India
 - b. Companies, whether listed or not, having net worth of more than INR1,000 crore

Phase 2: Opening balance sheet as at 1 April 2012*
Companies not covered in phase 1 and having net worth exceeding INR 500 crore

Phase 3: Opening balance sheet as at 1 April 2014*
Listed companies not covered in the earlier phases

Pakistan

All listed companies must follow all issued IAS/IFRS except the following:

IAS 39 and IAS 40: Implementation of these standards has been held in abeyance by State Bank of Pakistan for Banks and DFIs IFRS-1: Effective for the annual periods beginning on or after January 1, 2004. This IFRS is being considered for adoption for all companies other than banks and DFIs.

IFRS-9: Under consideration of the relevant Committee of the Institute (ICAP). This IFRS will be effective for the annual periods beginning on or after 1 January 2013.

Japan

The minister for Financial Services in Japan announced in late June 2011 that mandatory application of the IFRS should not take place from fiscal year-ending March 2015; five to seven years would be re-

quired for preparation if mandatory application is decided; and to permit the use of U.S. GAAP beyond the fiscal year ending March 31, 2016.

Conclusion

Bringing about harmonization in accounting practices among countries throughout the world is indeed a very formidable task. The vision of a harmonized accounting world may inspire many minds but in the practical field it is hard to go about embracing a situation where accounting principles and procedures

are perfectly harmonized among countries through out the world. There are so many aspects relating to IFRS convergence which still need to be clarified, such as IFRS first time adoption standard, compliance of comparative previous period figures with IFRS, changes required to the Companies Act to comply with IFRS, changes to the Income-Tax Act, the Reserve Bank of India's requirements for banks, etc. The earlier we clear all the ambiguities, the smoother will be the transition and we will have time to bridge the gap.

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