

Indian GAAP V/S IFRS

*Shamnani Gopichand B



Introduction

With the growth of Indian economy & increasing integration with the global economies, Indian corporates are raising capital globally. Under the circumstances it would be imperative for Indian corporates to adopt IFRS for their financial reporting.

The convergence with IFRS is set to change the landscape for financial reporting in India. IFRS represents the most commonly accepted global accounting framework as it has been adopted by more than 100 countries.

* One of the basic features of the IFRS is that it is principle based standard rather than rule based.

* A separate set of IFRS for Small & Medium-Sized Enterprises has been issued by the IASB in July 2009

* IFRS stands for International Financial Reporting Standards & includes International Accounting Standards (IASs) until they are replaced by any

IFRS & interpretation originated by the IFRIC (International Financial Reporting Interpretation Committee) or its predecessor, the former Standing Interpretation Committee.

* IFRS are developed and approved by IASB (International Accounting Standard Board)

According to the Preface to IFRS issued by the IASB the main objectives of IFRS are-

* To develop in public interest, a single set of high quality, understandable & enforceable global accounting standards that require high quality, transparent & comparable information in financial statements & other financial reporting to help participants in the various capital markets of the world & other users of the information to make economic decisions

* To promote the use & rigorous application of those standards In fulfilling the objectives associated above to take account of, as appropriate, the special needs of small & medium-sized entities & emerging economies.

Table : Indian GAAP vs. IFRS

SL. No.	Particulars	Indian GAAP	IFRS
1	Conceptual Difference	Indian Accounting Standards are generally rule based and are less flexible in comparison with IFRS. Regulatory authorities like SEBI, ROC, RBI, IRDA, etc. play a very important role in defining rules.	At various stages IFRS provides scope of judgement and requires information to be presented on the basis of substance rather than rules.
2	Law vs. Standards	'Law overrides standards' is an accepted principle in India. Latest example is opinion given to the corporate regarding treatment of foreign exchange fluctuation in AS-11	While applying IFRS usage by investor is kept in mind and requirement of law and management takes a back seat.
3	Fairly Presented Statements	Indian GAAP has direction in True and Fair presentation of financials.	IAS allows overriding true and fair concept in extreme cases. Rather the emphasis is on fairly presented statements.
4	Presentation	For Companies of schedule VI of the Companies Act, 1956, defines format of balance sheet and its related statements. For listed companies, Insurance companies, Banks, etc. SEBI, IRDA and other regulatory authorities also guide as to how the financials are to be projected.	IAS-1 Presentation of financial statement provides guidelines and overall requirements, For example it defines certain information, which is to be presented on the face of balance sheet.
5	Extra ordinary items	Extraordinary items are required to be separately disclosed in Indian GAAP.	There is no provision of presenting extraordinary item, separately.
6	Reports	Generally in India, as per schedule VI of the companies Act, 1956, a business entity is required to present the following. <ul style="list-style-type: none"> • Balance Sheet • Profit & Loss A/c • Notes to accounts In a few cases, cash flow statement is required to be presented (AS-3), but is not mandatory for all enterprises.	IAS-1 require a business entity to report the financial in the following five statements: <ul style="list-style-type: none"> • Balance sheet • Income Statement • Cash Flow Statement • Statement of change in Equity • Notes to accounts • Cash Flow Statements are mandatory in nature

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8 Revenue recognition AS-9 Revenue Recognition provides an option to use either proportionate completion method or completed service method. IAS-18 Provides that revenue can be recognized when risks rewards and controls have been transferred to the buyer. In construction contracts, stage of completion method can be applied to recognize revenue, if reliable valuation is possible.

9 First time adoption No such standard is available IFRS-1 sets the standard for first time adoption of IFRS in great detail. Previous year comparables are also required to be mentioned.

10 Valuation of taken over assets Taken over assets to be valued at cost and not on Fair Value. IFRS-3 Business Combinations allows the Assets require Goodwill to be tested for

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7	Depreciation	Schedule XVI of the Companies Act, 1956, defines minimum rate of depreciation to be applied by company.	IAS-16 Property Plant and Equipments allows management to charge depreciation, based on useful life of asset.
8	Revenue recognition	AS-9 Revenue Recognition provides an option to use either proportionate completion method or completed service method.	IAS-18 Provides that revenue can be recognized when risks rewards and controls have been transferred to the buyer. In construction contracts, stage of completion method can be applied to recognize revenue, if reliable valuation is possible.
9	First time adoption	No such standard is available	IFRS-1 sets the standard for first time adoption of IFRS in great detail. Previous year comparables are also required to be mentioned.
10	Valuation of taken over assets	Taken over assets to be valued at cost and not on Fair Value.	IFRS-3 Business Combinations allows the Assets require Goodwill to be tested for impairment at each balance sheet date.

*. To bring about convergence of national accounting standards & IFRSs to high quality solutions.

*.At its 269th meeting the council of ICAI has decided that public interest entities such as listed companies, banks insurance companies & large sized organisations to converge with IFRS for accounting period commencing on or after 1st April, 2011.

*.For small & medium sized entities ICAI had proposed that a separate standard may be formulated based on the IFRS for SMEs issued by the IASB after modifications, if necessary.

*. IFRS in not mandatory for the following Companies. Non-Listed Companies which have a net worth of Rs. 500 crores or less and whose shares or other securities are not listed on stock exchanges outside India. Small & Medium Companies (SMCs)

Indian GAAP vs. IFRS

There are a number of differences between Indian GAAP & IFRS, and It would be appreciate to understand some of the qualitative as well as Procedural differences between the two. An analysis of differences Between Indian GAAP and IFRS is given in table.

* *Asst. prof. ,Smt. Chandibai Himathmal Mansukhani College, Ulhasnagar*