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AN OVERVIEW OF INTERNATIONAL FINANCIAL REPORTING STANDARDS AND ITS IMPLEMENTATION IN INDIA.

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KEYWORDS : *International Financial Reporting Standards , International Accounting Standards Board.*

INTRODUCTION

IFRS Stands for “International Financial Reporting Standards” and includes Accounting Standards (IASs) until they are replaced by any IFRS and interpretations originated by the IFRIC (International Financial Reporting Interpretations Committee) or its predecessor, the former Standing Interpretations Committee (SIC). IFRSs are developed and approved by IASB (International Accounting Standards Board). These are standards for reporting financial results and are applicable to general purpose financial statements and other financial reporting of all profit-oriented entities. Profit-oriented entities include those engaged in commercial industrial, financial and similar activities, whether organized in corporate or in other forms also includes mutual

ABSTRACT

This article gives an overview of International Financial Reporting Standards and its implementation in India. IFRS are principles based standards; interpretation and the framework adopted by the International Accounting Standards Board. Majority of the standards forming part of IFRS are known by the older name of International Accounting Standards. The investors, financial analysts, creditors, and others who use financial statements have welcomed the adoption of standards. Adoption require high-quality, transparent and comparable

information.

It is difficult to compare financial information of entities prepared at various parts of the world. Now it is a global economy. The need for single set of high quality accounting standards is felt now to facilitate investment and other economic decisions across countries, to increase the market efficiency and reduce the cost of raising capital.

IFRS have almost become the set of globally accepted accounting standards that are needed to meet the world's increasingly integrated global capital markets.

insurance companies, other mutual co-operative entities, etc.

International Financial Reporting Standards refer to the standards and interpretations adopted by the IASB comprising of:

- International Financial Reporting Standards.
- International Accounting Standards.
- Interpretation of IFRIC.
- Interpretation of SIC.

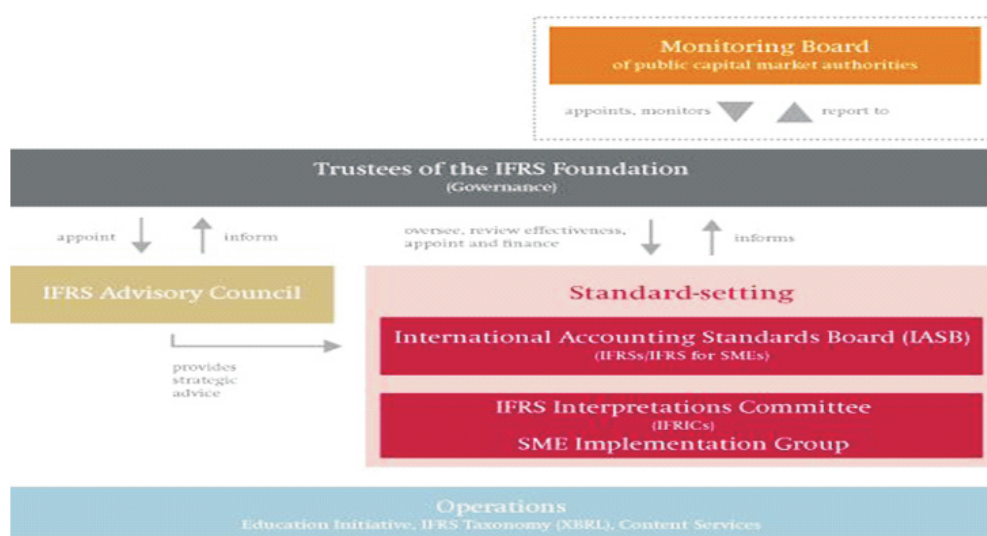
NEED FOR IFRS

Different Countries employ different Accounting Standards while computing the Profits of a Company. It is expected that IFRS adoption worldwide will benefit investors and other users of financial statements, through reduced Costs of Comparing alternative Investments and Increasing the Quality of Information. On the other hand, the Companies are also expected to benefit, as investors will be more willing to provide financing.

In recent Past, there have been cases where companies reporting under IFRS in Europe record a loss but when these same companies re-state their accounts according to US GAAP they record a profit. International Financial Reporting Standards remove some of the subjectivity from financial reporting and provide a consistent basis for recognition, measurement, presentation and disclosure of transactions and events in financial statements. In other words we can say that this has lead to improved transparency of financial reporting.

- IFRS are increasingly being recognized as Global Reporting Standards for financial statements.
- National GAAP is becoming rare.
- As global capital markets become increasingly integrated, many countries are moving to IFRS.
- More than 100 countries such as European Union, Australia, New Zeland and Russia currently permit the use of IFRS in their countries.
- The SEC has allowed the use of IFRS without reconciliation to US GAAP in the financial reports filed by foreign private issuers, thereby, giving foreign private issuers a choice between IFRS and US GAAP. SEC is proposing that the US issuers begin reporting under IFRS from 2014, with full conversion to occur by 2016 depending on size of the entity. This is a milestone proposal that will bring almost the entire world on one single, uniform accounting platform i.e.IFRS.

IFRS Structure



Source: http://www.khimjikulverji.com/Docs/Resources/3/KKC_IFRS%20and%20India.pdf

IFRS Foundation

It is an Independent, not-for profit private sector organization.

Principal Objectives

- To develop a single set of high quality, understandable, enforceable and globally accepted IFRS
- To promote the use and rigorous application of those standards
- To take account of the financial reporting needs of emerging economies and small and medium-sized entities (SMEs), and
- To bring about convergence of national accounting standards and IFRSs to high quality solutions.

Governed by Trustees-Safeguarding the independence of the IASB and ensuring the financing of the organization.

The IASB (International Accounting Standards Board)

- Independent standard-setting body
- Currently 15 full-time members
- Development and publication of IFRSs
- Approving Interpretations of IFRSs as developed by the IFRS Interpretations Committee (formerly IFRIC)

All meetings of the IASB are held in public and webcast. Standard Setting is Open and Transparent Process such as discussion papers and exposure drafts for public comment is an important component. The IASB engages closely with stakeholders around the world, including investors, analysts, regulators, business leaders, accounting standard-setters and the accountancy profession.

The IFRS Interpretations Committee

- 14 voting members appointed by the Trustees and from a variety of countries and professional backgrounds

Op. Balance Sheet as at	Entities covered
Phase – I 1st Apr. 2011	- Nifty 50 companies - BSE 30 companies - Companies listed outside India - Companies having Net worth > 1,000 Cr.
Phase – II 1st Apr. 2013	Companies not covered in Phase I and having Net worth > 500 Cr.
Phase – III 1st Apr. 2014	Listed companies not covered in Phase I & II

CONCLUSION

The adoption of new accounting standards in line with International Financial Reporting Standards will facilitate companies to get access for financial resources from the global markets. Transitioning to IFRS would allow companies to compete for capital in other countries, while reducing cost and complexity for companies operating internationally. A single set of global accounting standards would contribute to a higher degree of investor understanding and confidence. Also IFRS is very important for US Investors as they own 2/3 rd of securities issued by foreign companies. Because of IFRS there will be greater comparability and greater confidence in the transparency of financial reporting for the investors across the globe.

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