Acc 2N4 – IFRS and Ind AS

SYNOPSIS

International financial reporting standard

- Need for IFRS

Ind AS

Comparison of Ind AS and erstwhile AS

International financial reporting standards (IFRS)

IFRS are a set of accounting rules that govern how information is presented in financial reports with the objective of making financial statements consistent, comparable, and transparent across the world. IFRS are successor of erstwhile Internation Accounting Standards (IAS) and are formulated and maintained by the International Accounting Standards Board (IASB). IFRS standards are used in over 140 countries and are required for most or all companies and covers a wide range of topics for recording of financial transactions and reporting of financial statements. IFRS are principle-based and allow more flexibility than the Generally Accepted Accounting Principles (GAAP) system used in the United States.

Need for IFRS

International financial reporting standards are needed for the following reason:

(1) The important economic decisions are made on the basis of financial statements. In order to avoid manipulations of figures in the financial accounts, there is a need for consistent way of deciding which elements require recognition and measurement and how information is presented in the financial statements.

Hence, IFRS helps to prevent material manipulation or errors in financial statements.

(2) IFRS helps in global harmonisation. Unless accounting activities are regulated, different countries will apply different set of accounting rules and regulation are prevalent in each country. This will restrict uniformity and comparability of financial statements. Hence, IFRS promotes global standards for each of business growth.

(3) It facilitates global investment. The convergence of financial reporting and accounting standards is a valuable process that contributes to the free flow of global investments and achieves substantial benefits for all capital market stakeholders.

Ind AS

For uniform accounting policies and procedures across the globe, almost all countries have agreed to apply IFRS. The Government of India, however, decided to converge and not to adopt IFRS issued by the IASB. The decision of convergence rather than adoption was taken after the detailed analysis of IFRS requirements and extensive discussion with various stakeholders. Accordingly, while formulating IFRS-converged Indian Accounting Standards (Ind AS), efforts have been made to keep these Standards, as far as possible, in line with the corresponding IFRS Standards (which comprise pronouncements comprising IAS, IFRS, SIC and IFRIC) and departures have been made where considered absolutely essential. These changes have been made considering various factors, such as, terminology related changes to make it consistent with the terminology used in law, e.g., ‘statement of profit and loss’ in place of ‘statement of comprehensive income’ and ‘balance sheet’ in place of ‘statement of financial position’, apart from the changes considering the economic environment, customs and laws of the country. Ind AS is notified by the Ministry of Corporate Affairs.

Comparison of Ind AS and erstwhile AS

The list of Ind AS and existing standards for comparative analysis is given below:

Ind AS	Title	AS	Title
1	Presentation of Financial Statements	1 -	Disclosure of accounting policies Framework for preparation and presentation of financial statements
2	Inventories	2	Valuation of inventories
7	Cash flow Statements	3	Cash flow statements
8	Accounting policies, Changes in Accounting Estimates and Errors	5	Net profit or loss for the period, prior period items and changes in accounting policies
10	Events after the Balance Sheet Date	4	Contingencies and events occurring after the balance sheet date
11	Construction Contracts	7	Construction contracts
12	Income Taxes	22	Accounting for taxes on income
16	Property, Plant and Equipment	10 6	Accounting for fixed assets Depreciation accounting
17	Leases	19	Leases
18	Revenue	9	Revenue recognition
19	Employee Benefits	15	Employee Benefits
20	Accounting for Government Grants and Disclosure of Government Assistance	12	Accounting for government grants
21	The Effects of Changes in Foreign Exchange Rate	11	The effects of changes in foreign exchange rates
23	Borrowing Cost	16	Borrowing Costs
24	Related Party Disclosures	18	Related Party Disclosures

27	Consolidated and Separate Financial Statements	21	Consolidated Financial Statements
28	Investments in Associates	23	Accounting for investment in Associates in CFS
29	Financial Reporting in Hyperinflationary Economics	--	
31	Interests in Joint Venture	27	Financial reporting of interest in joint venture
32	Financial Instruments: Presentation	31	Financial instruments: Presentation
33	Earnings Per Share	20	Earnings per Share
34	Interim Financial Reporting	25	Interim Financial Reporting
36	Impairment of assets	28	Impairment of assets
37	Provisions, contingent liabilities and contingent assets	29	Provisions, contingent liabilities and contingent assets
38	Intangible assets	30	Intangible assets
39	Financial instruments: Recognition and measurement	---	
40	Investment property	13	Accounting for investments
101	First time adoption of international financial reporting standards	---	
102	Share-based payments	---	G.N. on employee share based payment
103	Business combinations	14	Accounting for amalgamations
104	Insurance Contracts	---	
105	Non-current Assets held for Sale and Discontinued Operation	24	Discontinuing Operation
106	Exploration for and Evaluation of Mineral Resources	---	
107	Financial Instruments: Disclosures	32	Financial Instruments: Disclosures
108	Operating Segments		