Convergence with IFRSSin India: Prospects and Challenges

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Abstract

The globalization has brought a lot of changes in doing business across the world. The business of multinational companies are being extended and established in various countries with emerging economies .These companies in emerging economies are increasingly accessing the global markets to fulfill their capital needs by getting their securities listed on the stock exchanges outside the country. This results in making the Capital markets global in nature. The use of different accounting frameworks in different countries creates confusion for users of financial statements resulting into inefficiency in capital markets across the world. The increasing complexity of business transactions and globalization of capital markets call the regulators, multinational companies, auditing firm and investors to see the need for common standards in all areas of financial reporting. Thus, the case for a single set of globally accepted accounting standards has prompted many countries to pursue convergence of national accounting standards with IFRS. After the liberalization and tremendous growth of Indian Economy; the Indian MNCs are also going global. These companies have been also raising capital from global capital market. Under these circumstances, it has become imperative for Indian corporate to adopt IFRS for their financial reporting. The Government of India had committed to convergence of Indian Accounting Standards with IFRS from April 1, 2011.This paper tries to examine the need and importance of IFRSs in India, the various phases of implementation of IFRSs in India. The paper also highlights on the challenges ahead in the implementation of IFRS in India and the possible ways to address the challenges.

Keywords: GAAP, IFRS, IAS, SIC

1. Introduction

The globalization has brought a lot of changes in doing business across the world. The business of multinational companies are being extended and established in various countries with emerging economies .These companies in emerging economies are increasingly accessing the global markets to fulfill their capital needs by getting their securities listed on the stock exchanges outside the country. This results in making the Capital markets global in nature. The use of different accounting frameworks in different countries creates confusion for users of financial statements resulting into inefficiency in capital markets across the world. The increasing complexity of business transactions and globalization of capital markets call the regulators, multinational companies, auditing firm and investors to see the need for common standards in all areas of financial reporting. Thus, the case for a single set of globally accepted accounting standards has prompted many countries to pursue convergence of national accounting standards with IFRS.

After the liberalization and tremendous growth of Indian Economy, the Indian MNCs are also going global. These companies have been also raising capital from global capital market. Under these circumstances, it has become imperative for Indian corporate to adopt IFRS for their financial reporting. The Government of India had committed to convergence of Indian Accounting Standards with IFRS from April 1, 2011.

IFRSs are standards and interpretations adopted by the International Accounting Standards Board (IASB). This includes IFRSs, IAS, and Interpretations originated by the IFRIC or its predecessor the former Standing Interpretations Committee (SIC). IFRSs are increasingly being recognised as Global reporting standards of financial statements. .

This paper tries to examine the need and importance of IFRSs in India, the various phases of implementation of IFRSs in India. The paper also highlights on the challenges ahead in the implementation of IFRS in India and the possible ways to address the challenges.
The study is primarily based on the secondary data gathered from related literature published in the journals, newspaper, books, statements, reports. The nature of study is primarily qualitative, descriptive and analytical. There is no quantitative tool being used for the study.

Motivation of the Study

A number of study have been carried out in the Accounting literature in relation to transition from national accounting standards to IFRS mainly on developed economies like countries in Europe((Emenyonu & Gray, 1992, 1996; Herrmann & Thomas, 1995, 1996; Murphy, 2000; Van der Tas, 1988). Some studies have been also conducted in Asia and African countries. In addition to academic literature, there are also surveys conducted by the United Nations Conference on Trade and Development (UNCTAD) and by major accounting firms between 2000 to date on IFRS. Focus on these surveys was on the tendency of countries to adopt IFRS, the benefits of IFRS and the challenges ahead. All these surveys were mainly for large developed countries and developing countries (Boolaky). With the rapid liberalization process experienced in India over the past decade, there is now a huge presence of multinational enterprises in the country. Furthermore, Indian companies are also investing in foreign markets. This has generated an interest in Indian GAAP by all concerned. In this context, the role of Indian accounting standards, which are becoming closer to IFRS, has assumed a great significance from the point of view of global financial reporting (UNCTAD, 2008). As compared to the need a very few study has been done in this issue in India. Looking at the issue that the previous studies fail to address the problems and challenges of IFRS in India, the author argues that the issue needs to be addressed in order to fill this gap.

A brief profile of India

India is the 7th largest country by geographical area and second most populous country of the World (UN database). India's diverse economy encompasses a wide spectrum of activity, ranging from high technology to subsistence agriculture. More than half of the work force is in agriculture, but services are the major source of economic growth, accounting for nearly two-thirds of India's output. The Indian Economy responded to globalization by liberalizing its economy in1991. This economic liberalization has been done through openness to financial and technology transfer, industrial deregulation, privatization of state-owned enterprises, and reduced controls on foreign trade and investment, resulting to accelerate the country's growth, which has averaged more than 7% per year since 1997. Following the slowdown induced by the global financial crisis in 2008-09, the Indian economy responded strongly to fiscal and monetary stimulus and achieved a growth rate of 8.6 per cent and 9.3 per cent respectively in 2009-10 and 2010-11(Economic Survey-2012). Still significant challenges are to be resolved, including addressing the fiscal deficit, high inflation rates and government debt, and improving infrastructure and agricultural productivity.

Some economic indicators of India

India's GDP grew by 6.2 per cent in 2012. India's GDP is USD US $4.684 trillion (PPP,**2012)** while its Gross Domestic Product per capita in India was last recorded at $3,829 (PPP 2012)**.** Indian Foreign Exchange Reserve is US $ 295.29 billion (October 2012). During 2000–10, the country attracted $178 billion as FDI. India accounts for 1.44% of exports and 2.12% of imports for merchandise trade and 3.34% of exports and 3.31% of imports for commercial services trade worldwide. The moderation in growth is primarily attributable to weakness in industry (comprising the mining and quarrying, manufacturing, electricity, gas and water supply, and construction sectors),which registered a growth rate of only 3.5 per cent and 3.1 per cent in 2011-12 and 2012-13 respectively. In 2011 India's imports of goods valued at*US* $450,957million *e*xports of goods valued at*US* $ 296,556million.Top 5 destinations of export for the country are USA, UAE, China, Singapore and UK .India's major export commodities are Pharmaceuticals, Coffee/Tea/Spices, Readymade Garments, Iron & Steel &Machinery whereas major import commodities from the CIS region are Iron/Steel/Nickel, Fertilizers, Mineral Fuel, Cereals & Rubber.

Objectives of the Study

The objectives of the study are:
a) To examine impact of IFRSs in Indian Corporate Sector.
b) To know the various phases of implementation of IFRSs in India.
c) To examine benefits and the challenges ahead in the implementation of IFRS in India and d) To find out the possible ways to address the challenges.

Methodology of the Study

The study is primarily based on the secondary data gathered from related literature published in the journals, newspaper, books, statements, reports. The nature of study is primarily qualitative, descriptive and analytical. There is no quantitative tool being used for the study.

2. Literature Review

In the late 1990s, a movement within the international business and accounting professional communities to standardize globally financial accounting reporting methods and practices was initiated. Since that time, both American and international governmental, professional accounting organizations, governing bodies, business leaders and regulatory administrators have written extensively concerning the benefits and disadvantages of the implementation of a single global accounting standard (Winney, Marshall, Bender &Swiger).

Barth et al. (2006) find that firms adopting IFRS have less earnings management, more timely loss recognition, and more value relevance of earnings, all of which they interpret as evidence of higher accounting quality. The accounting system is a complementary component of the country's overall institutional system (Ball, 2001) and is also determined by firms' incentives for financial reporting. La Porta et al. (1998) provide the first investigation of the legal system's effect on a country's financial system. They find that common law countries have better accounting systems and better protection of investors than code law countries (Soderstrom and Sun). Several papers attempted to determine the level of accounting harmonization by examining selected measurement practices used by companies in Europe (Emenyonu& Gray, 1992, 1996; Herrmann & Thomas, 1995, 1996; Murphy, 2000; Van der Tas, 1988). These studies analyzed the annual reports from companies headquartered in different countries to determine the level of compliance between various accounting practices and the impact of adopting international standards on accounting harmonization (Eva K. Jermakowicza, SylwiaGornik-Tomaszewski).

Several studies have addressed issues related to accounting harmonization in Europe and its impact on comparability and transparency of financial statements. A study conducted by Street and Shaughnessy(1998)reported that at the beginning of the 1990s, numerous differences existed between international standards and the accounting standards of the major Anglo-American countries. Another study highlighted the significance of the enforcement issue for the IASC as it was seeking an International Organization of Securities Commissions (IOSCO) endorsement (Street & Bryant, 2000).The research conducted by McLeay, Neal, and Tollington(1999)distinguishes harmonization from standardization and presents a method for measuring harmonization that allows for choice between alternative accounting treatments.

Cai& Wong (2010) in their study of global capital markets summarized that the capital markets of the countries that have adopted IFRS have higher degree of integration among them after their IFRS adoption as compared to the period before the adoption. The study carried out by Callao et al (2007) on financial data of Spanish firms revealed that local comparability is adversely affected if both IFRS and local Accounting Standards are applied in the same country at the same time. The study, therefore calls for an urgent convergence of local Accounting Standards with that of IFRS. Epstein (2009) in his article on Economic Effects of IFRS adoption emphasized on the fact that universal financial reporting standards will increase market liquidity, decrease transaction costs for investors, lower cost of capital and facilitate international capital formation and flows (Jain 2011).

IFRSs – around the World

The need for a global set of high-quality financial reporting standards has long been apparent. The process of international convergence towards a global set of standards started in 1973 when 16 professional accountancy bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and the United States agreed to form the International Accounting Standards Committee (IASC), which in 2001 was reorganized into the International Accounting Standards Board (IASB). The IASB develops global standards and related interpretations that are collectively known as International Financial Reporting Standards (IFRS).

The process gained speed when the International Organization of Securities Commissions (IOSCO) endorsed the IASC standards for international listings in May 2000. It was further facilitated by the Regulation approved by the European Commission in 2002 requiring the preparation of the consolidated (group) accounts of listed companies in the European Union in accordance with IFRS.2 Recently, many more countries have announced their transition to IFRS, in some instances extending the scope of application beyond group accounts to legal entities and incorporating IFRS into their national regulatory framework**.**

The globalization of business and finance has brought various changes in the world. This change also brought a tremendous change in the pattern of financial reporting of business activities, which led to more than 12000 companies in more than hundred countries to require or permit IFRS reporting. This was started in 2005 when the European Union (EU) made it mandatory for publicly traded companies to present consolidated financial statements in conformity with International

Financial Reporting Standards (IFRS) starting from Jan 1, 2005. Australia, Newzealand, Israel, Brazil, South Africa, Philippines, Singapore have essentially have adopted the IFRS. Malaysia, Pakistan and Thailand have adopted selected IFRSs quite closely. In Nov, 2008 SEC published for public comment proposed IFRSs roadmap. The roadmap outlines milestones that if achieved could lead to mandatory transition to IFRSs starting for fiscal year ending on or after 15 Dec, 2014. Canada which previously plans to require IFRS for publicly accountable entities after Jan, 2011. Japan is also planning to go for convergence after 2011.

International Financial Reporting Standards (IFRS) in India

Background

The Institute of Chartered Accountants of India (ICAI) set up the Accounting Standards Board (ASB) in 1977 to prepare accounting standards. In 1982, ICAI set up the Auditing and Assurance Standards Board (initially known as the Auditing Practice Committee) to prepare auditing standards. ICAI became one of the associate members of the International Accounting Standards Committee (IASC) in June 1973. The ICAI also became a member of the International Federation of Accountants (IFAC) since its inception in October 1977. While formulating accounting standards in India, the ASB considers International Financial Reporting Standards (IFRS) and tries to integrate them, to the extent possible, in the light of the laws, customs, practices and business environment prevailing in India.

The Accounting Standards Board has worked relentlessly to introduce an overall qualitative improvement in the financial reporting in the country by formulating accounting standards to be followed in the preparation and presentation of financial statements. So far, the Board has issued 32 Accounting Standards. Besides this, it has also issued various accounting standards interpretations and announcements, so as to ensure uniform application of accounting standards and to provide guidance on the issues concerning the implementation of accounting standards which may be of general relevance. (UNCTAD review,2006)

ICAI, being a full-fledged member of the International Federation of Accountants (IFAC), while formulating the Accounting Standards (ASs), the ASB gives due consideration to International Accounting Standards (IASs) issued by the International Accounting Standards Committee or International Financial Reporting Standards (IFRSs) issued by the IASB, as the case may be, and try to integrate them, to the extent possible. However, where departure from IFRS is warranted keeping in view the Indian conditions, the ASs have been modified to that extent. Further, the endeavor of the ICAI is not only to bridge the gap between ASs and IFRSs by issuance of new AS but also to ensure that the existing ASs are in line with the changes in international thinking on various accounting issues. The National Committee on Accounting Standards (NACAS) constituted by the Central Government for recommending accounting standards to the Government, while reviewing the AS issued by the ICAI, considers the deviations in the AS, if any, from the IFRSs and recommends to the ICAI to revise the AS wherever it considers that the deviations are not appropriate.(Concept paper of ICAI)

Regulatory Framework and Enforcement of Accounting Standards

The regulatory framework of financial reporting and enforcement of accounting standards are being discussed below:

(A) **Legal Recognition of Accounting Standards issued by ICAI under the Companies Act (1956)**

The legal recognition to the Accounting Standards was accorded for the companies in the Companies Act, 1956, by introduction of section 211(3C) through the Companies (Amendment) Act, 1999, whereby it is required that the companies shall follow the Accounting Standards notified by the Central Government on a recommendation made by the National Advisory Committee on Accounting Standards (NACAS) constituted under section 210A of the said Act. The proviso to section 211(3C) provides that until the Accounting Standards are notified by the Central Government the Accounting Standards specified by the Institute of Chartered Accountants of India shall be followed by the companies. The Government of India, Ministry of Company Affairs (now Ministry of Corporate Affairs), issued Notification dated December 7, 2006, prescribing Accounting Standards 1 to 7 and 9 to 32 as recommended by the Institute of Chartered Accountants of India, which have come into effect in respect of the accounting periods commencing on or after the aforesaid date with the publication of these Accounting Standards in the Official Gazette. It may be mentioned that the Accounting Standards notified by the Government are virtually identical with the Accounting Standards, read with the Accounting Standards Interpretations, issued by the Institute of Chartered Accountants of India. (Concept paper of ICAI)

Legal recognition of accounting standards by other regulators

<u>Reserve Bank of India</u>

The Banking Regulation Act (1949) empowers the RBI to regulate financial reporting of the financial sector, including banks and financial institutions. One of the Schedules to the Banking Regulation Act prescribes formats for general purpose financial statements (e.g. balance sheet, and profit and loss accounts) and other disclosure requirements. Banks are also required to comply with requirements of the Companies Act (1956), provided they are consistent with the Banking Regulation Act. The RBI has issued circulars requiring banks to comply with the accounting standards issued by ICAI.

<u>Securities and Exchange Board of India</u>

Listed companies in India are required to comply with the requirements prescribed by the SEBI in its Act of 1992 and the Securities Contracts (Regulation) Act of 1956, which provides for the regulation of securities transactions. To protect investor interests, SEBI has issued a listing agreement which specifies disclosures applicable to listed companies in addition to other applicable auditing and accounting requirements. In particular, it requires compliance with the accounting standards issued by ICAI.

<u>The Insurance Regulatory and Development Authority (IRDA)</u>

The Insurance Regulatory and Development Authority (IRDA) regulates the financial reporting practices of insurance companies under the Insurance Regulatory and Development Authority Act (1999). Insurance companies and their auditors are required to comply with the requirements of the IRDA regulations of 2002 titled "Preparation of Financial Statements and Auditor's Report of the Insurance Companies", in preparing and presenting their financial statements and the format and content of the audit report. IRDA regulations require compliance with the accounting standards issued by ICAI.

Road map for adoption of IFRS by Indian corporate

In line with the global trend the ICAI has proposed a roadmap for convergence with IFRS for certain defined entities(listed entities, banks and insurance entities, and certain other large sized entities) with effect from accounting period commencing on or after April 1, 2011. ICAI is under the process of issuing IFRS equivalent Accounting Standards.The Indian accounting standards body, the Institute of Chartered Accountants of India (ICAI), has set a time line of 2011 for compulsory switchover to the new standard. There will be two separate sets of Accounting Standards under Section 211(3C) of the Companies Act, 1956. The first set would comprise the Indian Accounting Standards, which are converged with the IFRS (IFRS converged standards) and which shall be applicable to the specified class of companies in a phased manner. The second set would comprise the existing Indian Accounting Standards (existing accounting standards) and would be applicable to other companies, including Small and Medium Companies (SMC). The Announcement states that a separate roadmap for banking and insurance companies will be prepared and submitted to the government for consideration after consultation with the concerned regulators. The Announcement lays down a phased approach to convergence. Convergence with IFRS is planned in three phases which are given in the annexure.

Full and immediate adoption of IFRSs would be a challenge in the Indian environment in view of the conflicting legal and regulatory requirements and the technical preparedness of Industry and accounting professionals. Accordingly as part of its convergence strategy the ICAI has classified IFRS into the following broad categories:

Category I - IFRSs which do not involve any legal or regulatory issues nor have any issues with regard to their suitability in the existing economic environment, preparedness of industry and any conceptual differences from the Indian Accounting Standards. This category has further been classified into two parts as follows:

Category I A - IFRSs which can be adopted immediately or in near future in view of no or minor differences.(for example Construction Contracts, Borrowing Costs, inventories);

Category II - IFRSs which may require some time to reach a level of technical preparedness by the industry and professionals keeping in view the existing economic environment and other factors. (for example Retirement Benefit Plans,Share based payments);

Category III - IFRSs which have conceptual differences with the corresponding Indian ccounting Standards and where further dialogue and discussions with IASB may be required(for example consolidation, associates, joint ventures, provision for contingent liabilities);

Category IV - IFRSs, the adoption of which would require changes in laws/regulations because compliance with such IFRSs is not possible until the regulations/laws are amended (for example accounting policies and error, property and equipment, first time adoption of IFRS);

Category V - IFRSs corresponding to which no Indian Accounting Standard is required for the time being. However, the relevant IFRSs, when adopted upon full convergence, can be used as the "fallback" option where needed.(for example Financial Reporting in Hyper-inflationary Economies). The ICAI examined whether convergence with IFRSs can be achieved stage wise as below:

Stage I: Convergence with IFRSs falling in Category I immediately

Stage II: Convergence with IFRSs classified in Category II and Category III after a certain period of time, say, 2 years after various stakeholders have achieved the level of technical preparedness and after conceptual differences are resolved with the IASB.

Stage III: Convergence with IFRSs classified in Category IV only after necessary amendments are made in the relevant laws and regulations.

Stage IV: Convergence with IFRSs classified in Category V by way of adoption on full convergence.

Benefits of adopting IFRSs in India

The forces of globalisation prompt more and more countries to open their doors to foreign investment and as businesses expand across borders the need arises to recognise the benefits of having commonly accepted and understood financial reporting standards. Following are some of the benefits of adopting IFRS -

<u>Better Global Comparability</u>

IFRS improves the transparency of financial reporting as well as better comparability of performance of business enterprises. Investors, customers, suppliers, bankers would be easily able to compare when two financial statements follow the same reporting procedure. As the Indian companies are becoming global through their operations outside the country and having investor base, IFRS would enable a comparison of Indian companies with global competitor.

<u>Better Access to International Capital Market and Lower Cost of Capital</u>

IFRS are being used by the firms of reporting financial results across the world. Currently many firms for expansion of their operations around the world seek to raise capital at cheaper cost which is available in American, European, Japanese capital markets. To meet the regulatory requirements of these markets or the expectations of the investment banker and investors Indian companies should report their financial results as per IFRS. Thus adoption of IFRS would help the Indian companies in accessing international capital markets for raising funds at cheaper cost. It would also help the companies that are raising capital and listed only in stock exchanges in India in attracting the international investors by providing financial information that is more transparent and understandable for the international investor community.

<u>Easy Cross border listing</u>

Adoption of IFRS would eliminate the obstacles in cross-border listing by ensuring that financial statements are more transparent. Indian firms require funds for their expansion of operations as well as acquisitions around the world. These funds requirements are being met through raising of capital markets like European and American capital markets. Because of these many

Indian companies are listed in the stock exchanges of these markets. One of the major pre-requisites of getting listed on European Markets is preparation of accounts as per IFRS requirements.

Avoidance of Multiple Reporting

Currently, many large Indian business groups like TATA,BIRLA,MAHINDRA,AMBANI etc have firms registered in India and also firms outside India in European and American capital Markets. The firms registered in India prepare their accounts as per Indian Accounting Standards whereas firms registered in other countries prepare their financial statements as per Reporting Standards of the respective country. This increases the effort of finance function; introduces complexity in financial reporting and increases costs of the finance function. Group-wise adoption of IFRS would eliminate the need for such multiple financial reporting by the Indian companies as they would be following single set of financial reporting.

Better Quality of Financial Reporting

Adoption of IFRS would help the firm in bringing in better quality of financial reporting due to consistent application of Accounting Principles and improvement in reliability of financial statements. Historical cost would be substituted by fair value for various balance sheet items which enable the companies to know its true worth.

Economic Growth

The convergence with IFRS benefits the economy by increasing growth of its international business, higher cross-border capital flows and transaction. It facilitates maintenance of orderly and efficient capital markets and also helps to increase the capital formation and thereby economic growth. It encourages international investing.

Opportunities for accounting professional

Convergence with IFRSs also benefits the accounting professionals in a way that they are able to sell their services as experts in different parts of the world. It offers accountants in public practice them more opportunities in any part of the world if same accounting practices prevail throughout the world. For accounting professionals in industry as well as in practice, their mobility to work in different parts of the world increases. Being a comparatively new subject, professionals like CAs and CFAs with sound theoretical and practical knowledge of IFRS are certain to have more opportunities in the times to come.

4. Challenges on adopting IFRSs in India

Amendment to the existing laws

The accounting framework in India is deeply affected by laws and regulations. It is mainly the Indian Companies Act, 1956 and Indian GAAP which governs the accounting practices in India. Other existing laws, such as SEBI regulation, RBI Regulation, IRDA regulation also provides guidelines on preparation of financial statements. IFRS do not recognise these laws. For adoption of IFRS these existing laws have to be amended as per the requirements of IFRS. ICAI has to receive co-operation from other regulators (like, SEBI, RBI, IRDA), tax authorities, courts and tribunals to make the adoption successful.

Shortage of Trained and experienced Resources

It has been observed that at present India does not have enough number of resources with training or experience in IFRS. The adoption of IFRS by the Indian companies would result in huge demand for IFRS trained or experienced resources. Along with professional accountants other resources like Accountants , Govt. Officials, CEOs, would be responsible for smooth adoption of IFRS. This would create a huge demand for training to be provided to a large group. Currently India lacks training facilities and trained or experienced resources to train such a large group.

Creation of Awareness about IFRS

Adoption of IFRS means a complete set of different reporting standards which will have significant difference with Indian GAAP. Currently there is still absence of awareness of IFRS among the stakeholders. Considerable time and efforts would be required on making complete awareness and communicating to investors, Banks, stock exchanges, Commodity exchanges, the analyst community etc which would be big task for the companies.

Measurement of Business Performance

Adoption of IFRS would have significant difference with Indian GAAP. This would have significant impact on financial position and financial performance of the Indian companies. The fair value measurement can bring a lot of volatility and subjectivity in the financial statements. As till now the Indian companies have been following Historical Cost basis for preparation of financial statements.

Complexity in financial Reporting

There will be a need to consider several factors which were not required and relevant as per the Indian GAAP for preparation of financial statements with adoption of IFRS.As already discussed fair value measures would require the companies, auditors, users and regulators to get familiar with fair value. This would initially increase the complexity in financial reporting process and may make financial statements more difficult to understand for certain class of users.

Increased initial cost

Adoption of IFRS would lead to increase initial one-time cost. This cost includes additional cost of modifying IT systems, costs of training internal corporate staff, increased audit cost, costs of educating various constituents like investors, analysts, Board members etc.

5. Recommendation for facing the challenges

In order to face the challenges ahead in the implementation of IFRSs in India the following views are being recommended:

Regulatory Reforms

First and foremost steps regarding towards implementation of IFRSs in India is to bring necessary regulatory reforms to the existing laws in compliance to IFRSs. The Government should take initiative for bringing changes in case of all existing Companies Act 1956(which already have been in process), Tax Laws (in process), Foreign Exchange Management Act, Insurance Act etc. as per the requirement of IFRSs. Similarly the other regulatory authority like RBI, IRDA, SEBI would also need to initiate to accept IFRSs to replace their prescribed existing accounting rules.

Trained Skilled Human Resource

In the step of implementation a big question is whether the country has sufficient trained and skilled people who could understand IFRS properly and implement it. For implementation of IFRS in India, a large number of trained Accountants and Auditors in IFRS are required for proper implementation which are absent in the current scenario in India. Though the Institute of Chartered Accountants of India (ICAI) has started taking initiative in this regard but still it is not sufficient to meet this requirement.

Establishment of Monitoring Board

Merely adoption of IFRSs is not going to bring high quality in the financial reporting in the country. Effective enforcement and monitoring mechanism is very much necessary to ensure high quality financial reporting by the corporate organization. In order to make sure the compliance of IFRSs by the corporate organization a common monitoring board should be formed comprising of representatives from the law makers of the country and ICAI. The board should be able to play both advisory role as well as monitoring the compliance part. Because at the initial stage the advisory role of the board would be very important for the corporate organization.

Encouraging the business enterprises for adoption

As at the initial stage the business enterprises have to bear some expenses in relation to infrastructure (IT), training of existing staff, new recruitment, etc might lead to hesitation for adoption of IFRSs. The government, regulatory authority should encourage them through incentive, relaxation in some criteria who comply with the IFRSs.

Create Awareness

The government should take steps along with other regulatory bodies like ICAI, RBI, IRDA,SEBI to create awareness on the importance of IFRSs and its adoption in relation to quality improvement in Financial reporting.

Improvement on quality of Accounting Education

Only quality of accounting education in a country ensures the availability of trained accountants and auditor in a country. Therefore an initiative for curriculum development and training-the-trainers activities is required to be taken by ICAI alongwith the academic community of universities.

6. Conclusion

The environment of high quality corporate financial reporting depends on effective enforcement mechanisms. All the interested parties such as Regulators and Law makers, Professional Accountants and auditors Top management and Directors have to come together in the process of working for adoption of IFRSs. The Government and the Regulators should establish legal and regulatory environments that provide for compliance with all the IFRSs. The Government should frame/ revise laws in consultation with NACAS to reflect the IFRSs. Similarly, various Regulators (like RBI,SEBI,IRDA etc) should frame/revise regulations in consultation with ICAI. This should be considered as a high priority. The Professional accountants and auditors should ensure that the financial statements are prepared and audited in compliance of IFRSs. Industry associations such as Federation of Indian Chambers of Commerce and Industry (FICCI), Associated Chambers of Commerce (Assocham) and Confederation of Indian Industries (CII) should have to play an important role in preparing their constituents for the adoption of the IFRSs. For increasing awareness ICAI,RBI, SEBI,IRDA should work jointly to design awareness programme on importance of compliance with accounting and auditing standards. ICAI has to play a great role as an educator for creating foundation of IFRS in the country for the future. In order to ensure a minimum quality standard in teaching accounting and auditing in all over the country ICAI has to take an initiative along with the universities for curriculum development and training for the trainer activities.

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Annexures-1

After detailed deliberations on the various implementation challenges, especially those elated to legal and accounting framework, transitional issues, and sector specific concerns, the following roadmap for convergence with IFRS has been finalised by the Core Group:

Phase	Date	Applicable for
Phase I	1st April 2011	i. Companies which are part of NSE – Nifty 50 ii. Companies which are part of BSE – Sensex 30 iii. Companies whose shares or other securities are listed on stock exchanges outside India iv. Companies whether listed or unlisted, whose net worth exceeds Rs. 1,000 crores, as at March 31, 2009.
Phase II	1st April 2013	Companies, whether listed or unlisted, whose net worth exceeds Rs. 500 crores but does not exceed Rs. 1,000 crores, as at March 31, 2009.
Phase III	1stvApril 2014	Listed companies which have a net worth of Rs. 500 crores or less.
IFRSs would not be applicable for		a. Unlisted 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. b. SMEs

Annexure-2

The roadmap for convergence with IFRS in respect of insurance companies, banking companies and non-banking finance companies is as follows:

Category of Company	Applicable Date
1. Insurance Companies	1st April, 2012
2. Banking Companies (i) All scheduled commercial banks and those urban co-operative banks ("UCBs") which have a net worth in excess of Rs. 300 crores. (ii) UCBs which have a net worth in excess of Rs.200 crores but not exceeding Rs. 300 crores (iii) UCBs which have a net worth not exceeding Rs. 200 crores and Regional Rural banks (RRBs)	 1st April, 2013 1st April, 2014 IFRS not applicable,may adopt voluntarily.
3. Non-Banking Financial Companies ("NBFCs") (i) All NBFCs which are part of NSE-Nifty 50, BSE Sensex 30, and have a net worth in excess of Rs.1,000 crore (ii) All listed NBFCs and those unlisted NBFCs which do not fall in the above category and which have a net worth in excess of Rs. 500 crore (iii) Unlisted NBFCs which have a net worth of Rs. 500 crores or less	 1st April, 2013 1st April, 2014 IFRS not applicable, may adopt voluntarily.

Annexure-3

Time Line for adoption of IFRS:

Country		Target date for convergence to IFRS
Canada		2011
India	Companies with networth of Rs1000 crore and those which are part of BSE Sensex and NIFTY and Companies listed overseas exchanges	April,2011
India	All Companies with net worth Rs.500-1000 Crore	April 2013
India	Banks and Non Banking Finance Companies	April 2013
India	All listed companies with net worth of Rs.500 crore or less	April 2014
Japan		2011
Malaysia		2012
Maxico		2012
United Kingdom		2012
USA		2014-15

Source: Markets in Motion, 2010