

IFRS – Basics and Challenges

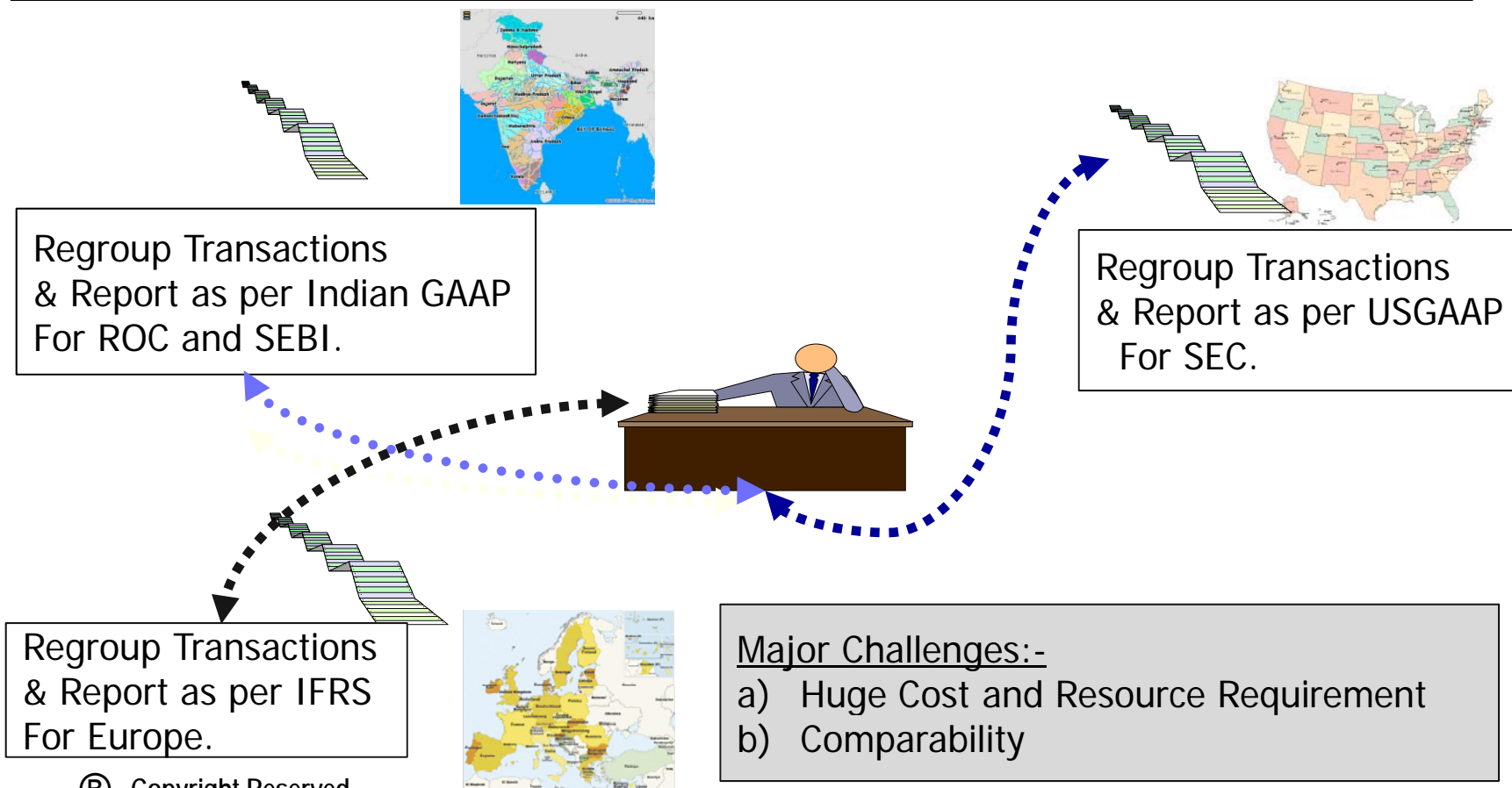
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Contents

- What, Why, How of IFRS
- Key Differences
- Implementation Challenges

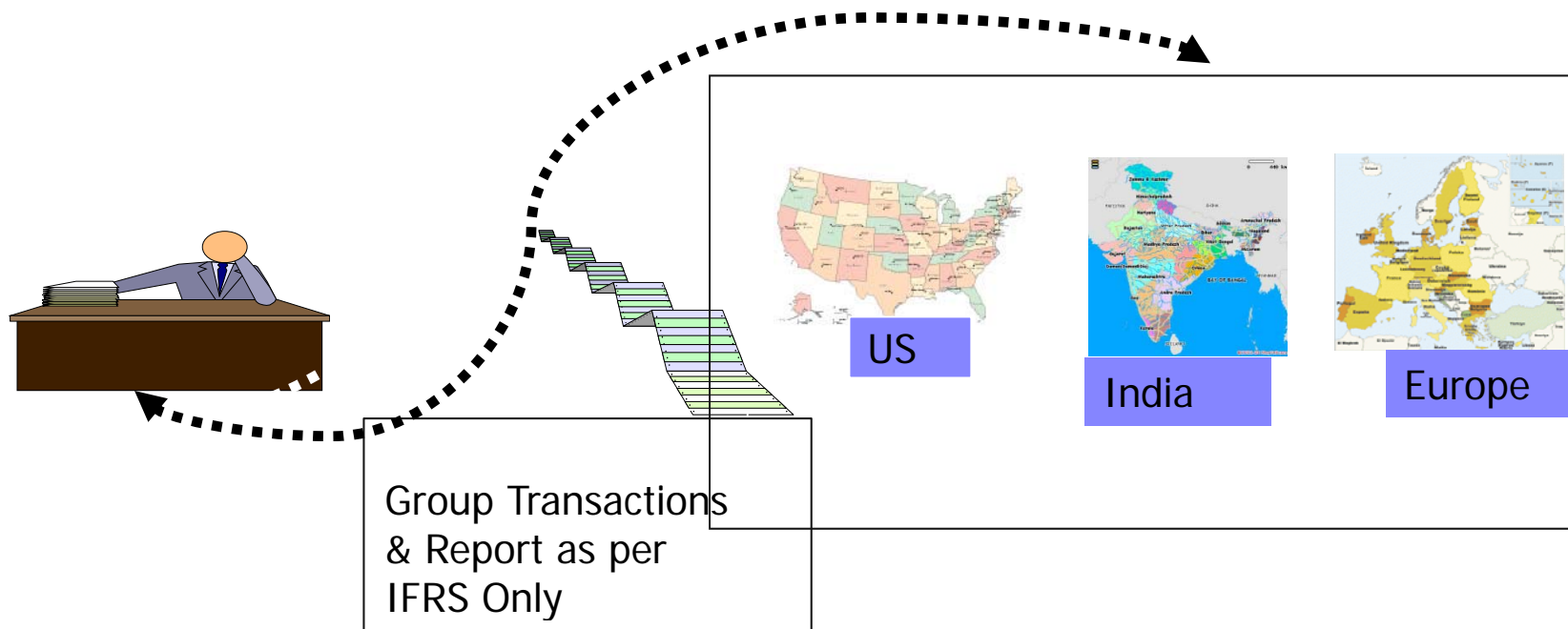
Example:-

A Listed Indian Companies having listed subsidiaries in US, Europe etc



To achieve the Global Objective – IASB - *Introduced*

IFRS (International Financial Reporting Standards)
(earlier also known as **IAS**)



Global Position – What is IFRS?

- International Financial Reporting Standards
- Standards for Reporting Financial Results
- IFRS requirement includes IASs
- Issued by International Accounting Standard Board') ('IASB')

Why IFRS ?

- Globally Accepted
- Simplified
- Cost Effectiveness
- Principles Based Environment
- Scope for Professional Judgment

Understanding of Financials Across Boundaries

Differences..

IFRS Vs US GAAP –A Gist

IFRS Vs US GAAP

- Economic Substance vs. Rule Based
- Complexity
- Globally Accepted

IFRS vs. INDIAN GAAP – A Gist

- Presentation
- Substance – Rules
- Law vs. Standards
- Group Accounting
- Business Combinations

IFRS vs. INDIAN GAAP

- Cost – Fair Value
- Functional / Reporting Currency
- Valuation of Taken over Assets
- Current vs. Non Current Assets / Liabilities
- Goodwill Treatment

Financial Statements

Statement	IFRS	US GAAP	INDIAN GAAP
Balance Sheet	Required	Required	Required
Income Statement	Required	Required	Required
Statement of Comprehensive Income	Required	Other Income Statement	Not Required
Cash Flow Statement	Required	Required	Not for All Entities
SOCIE	Separately Required	May be combined	No Separate Statement
Explanatory Notes	Required	Required	Required

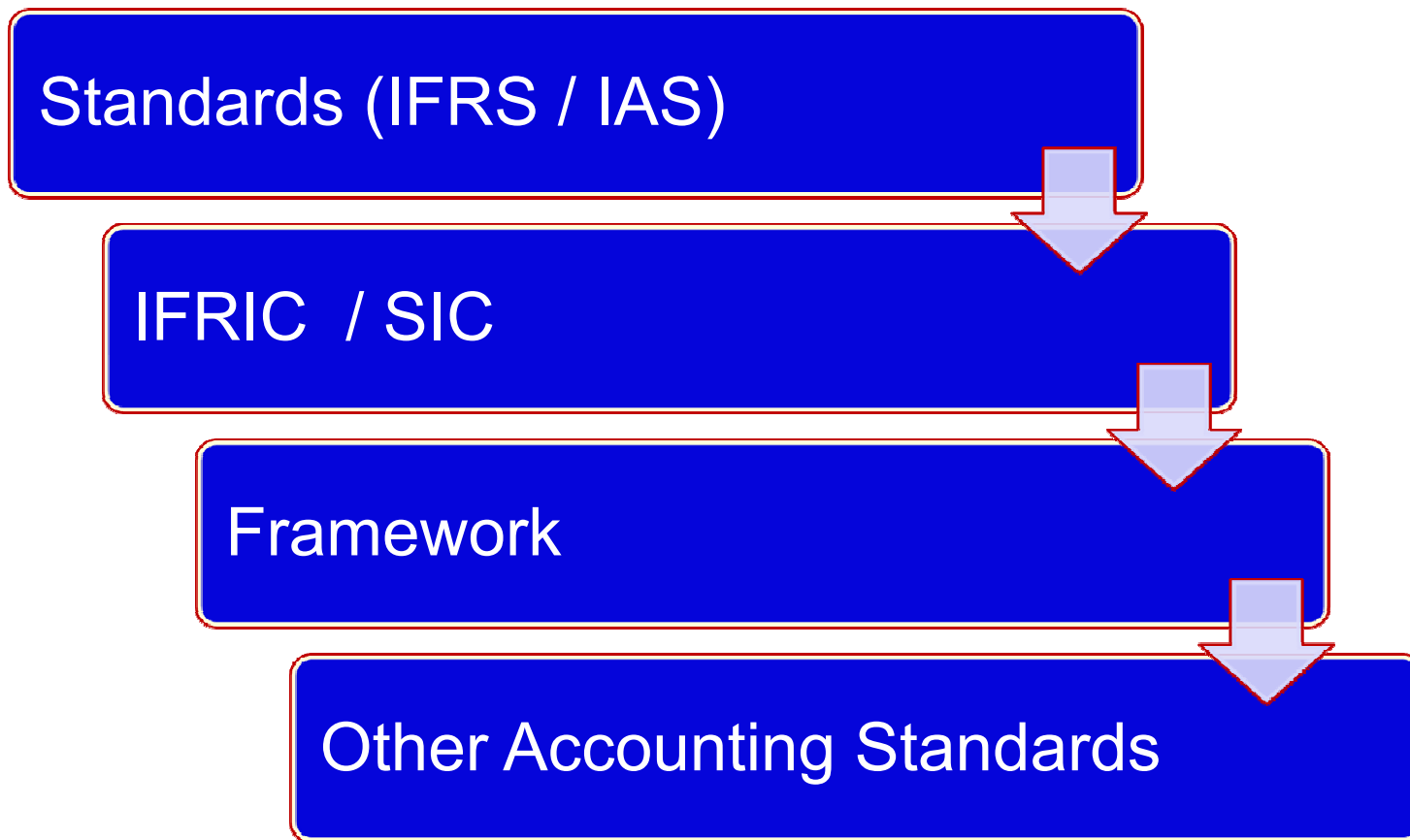
Position in the World..

- 120 countries (require or permit)
- All Listed European Companies – 2005
- Pakistan – Already Reporting as per IFRS
- Canada – January 2011
- Japan – To Converge by 2016
- US – Sooner or Later – By 2014...??
- India – 2011

HOW..?

- IFRS- 9 Standards
- IAS- 29 (Sr.1-41) Standards
- IFRIC- 17 Interpretations
- SIC- 11 (Sr.1-33) Interpretations
- Framework- Presentation of Financial Statements

Hierarchy...



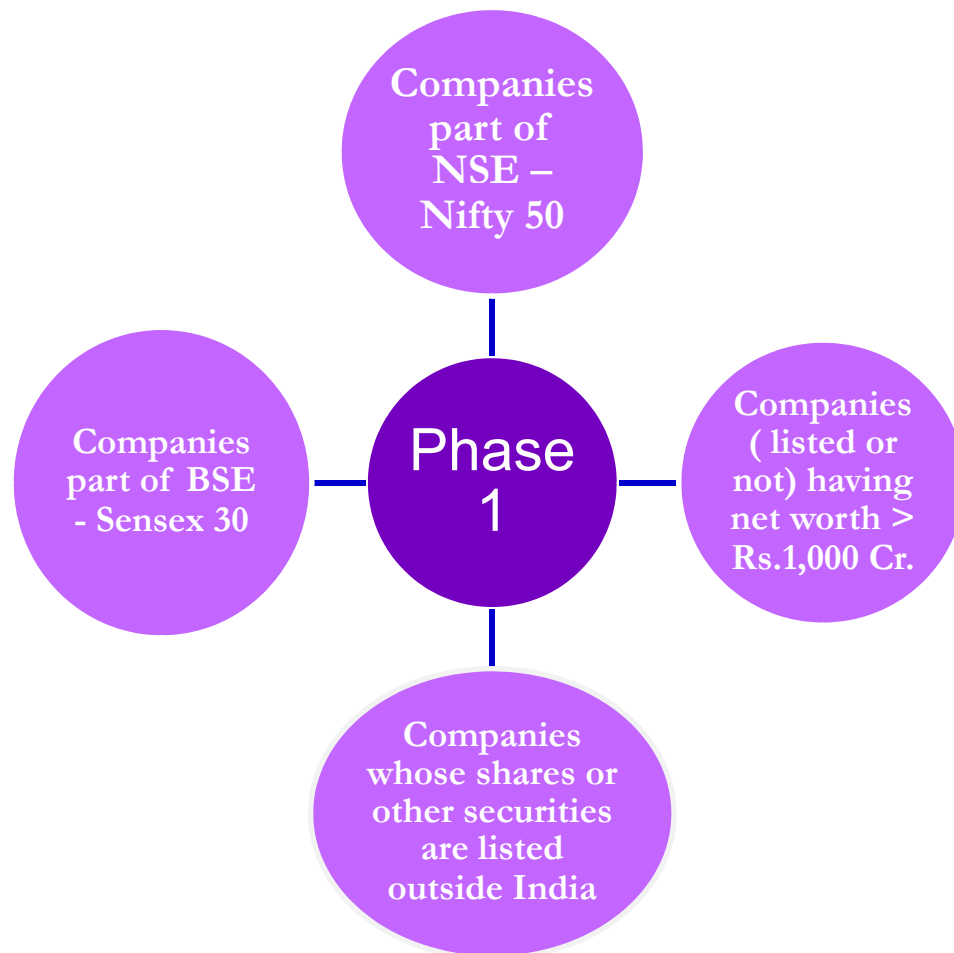
Framework

- Main Purpose of Financial Statements
 - ▲ ▪ Key Components
 - ▫ Assets
 - ▫ Liability
 - ▫ Equity

Latest Developments

Latest Guidelines from MCA (Ministry of Corporate Affairs) – January 2010

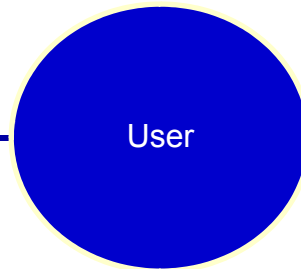
Phase 1, The following categories of companies will convert their opening balance sheets as at **1st April, 2011**, if the financial year commences on or after 1st April, 2011 in compliance with IFRS. :-



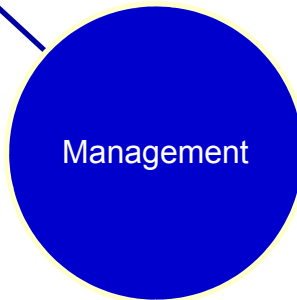
CHALLENGES



- Professional
- Judgment
- New Concepts

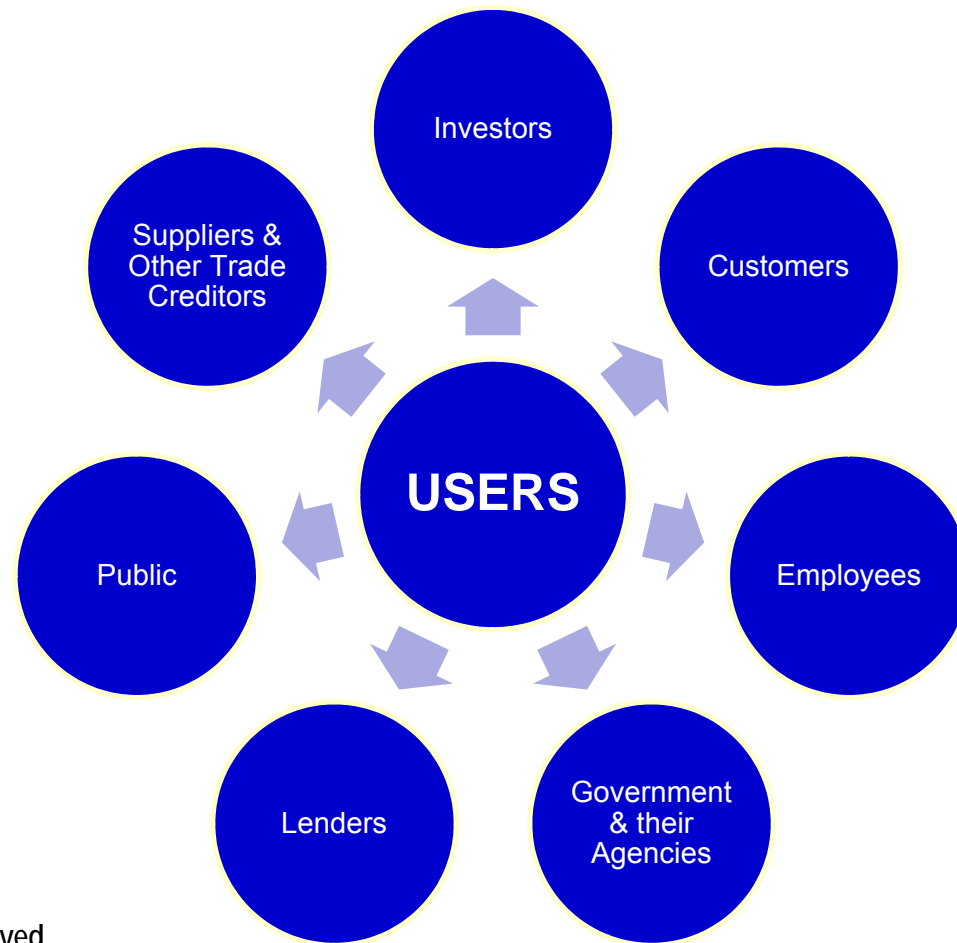


- Regulators
- Awareness
- Training

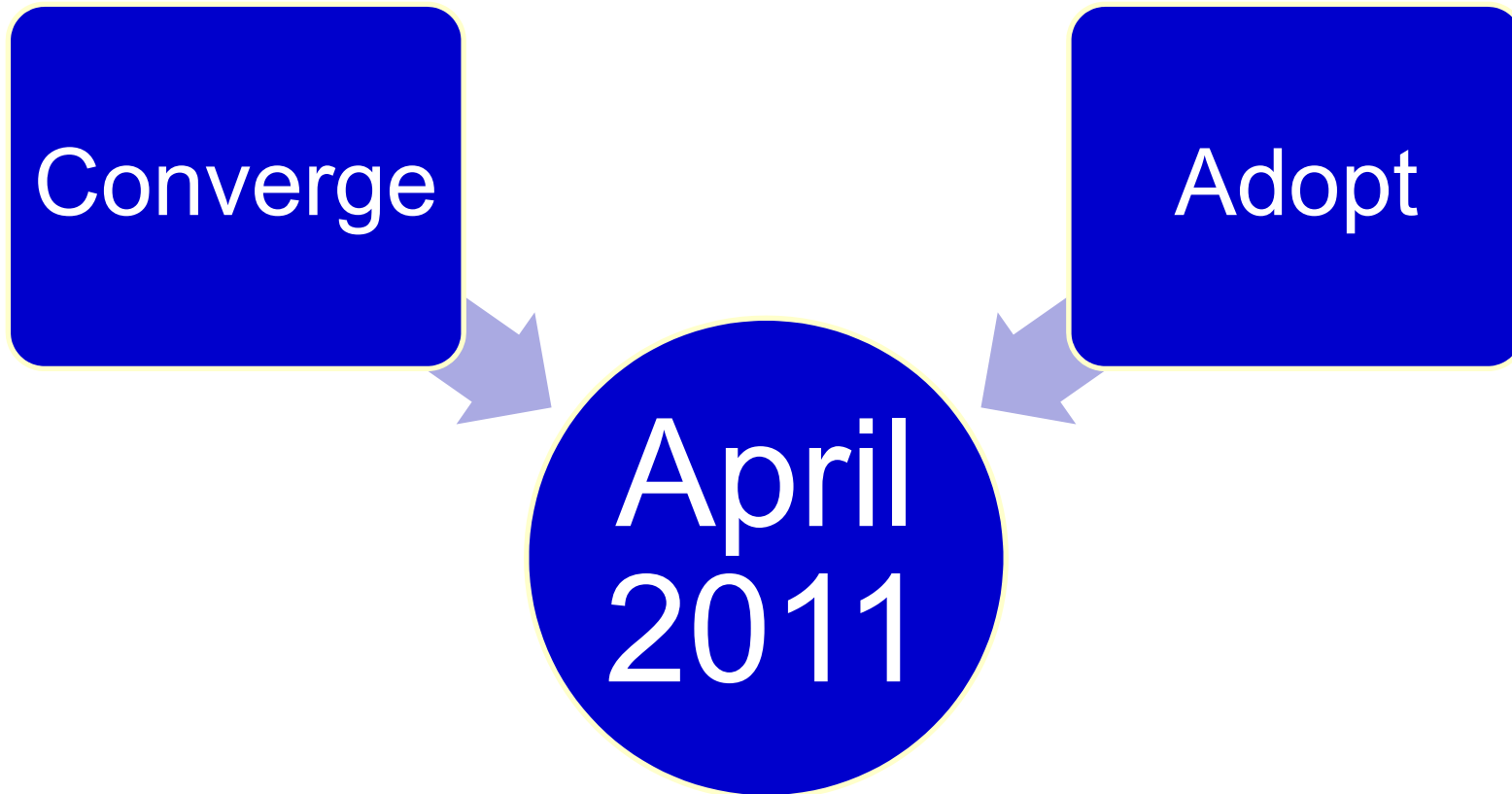


- Initial Hiccups
- Hit at net worth / Bottom Line

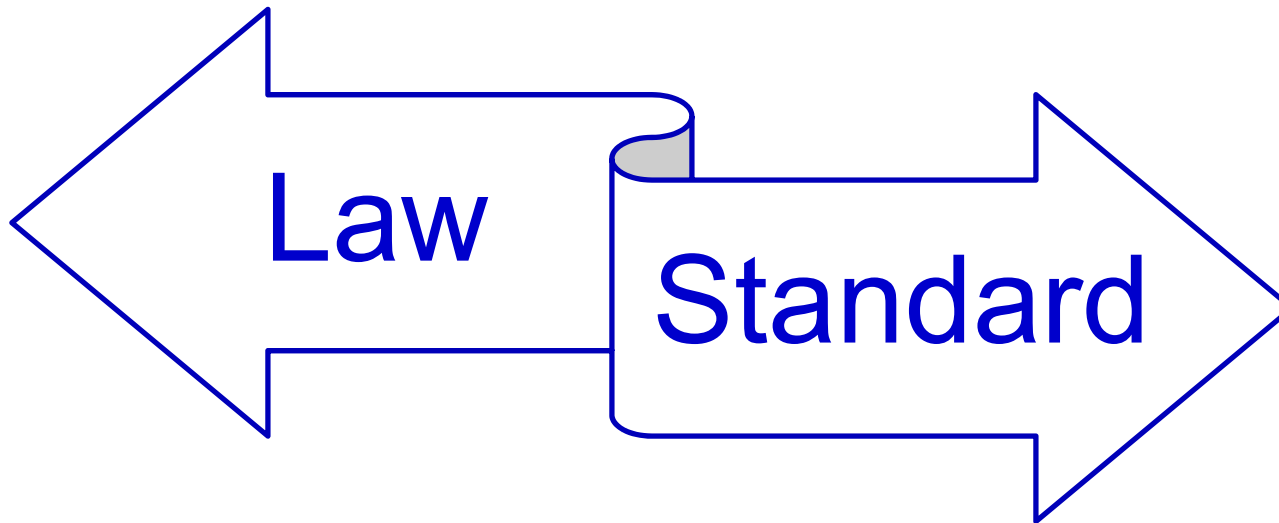
USERS...



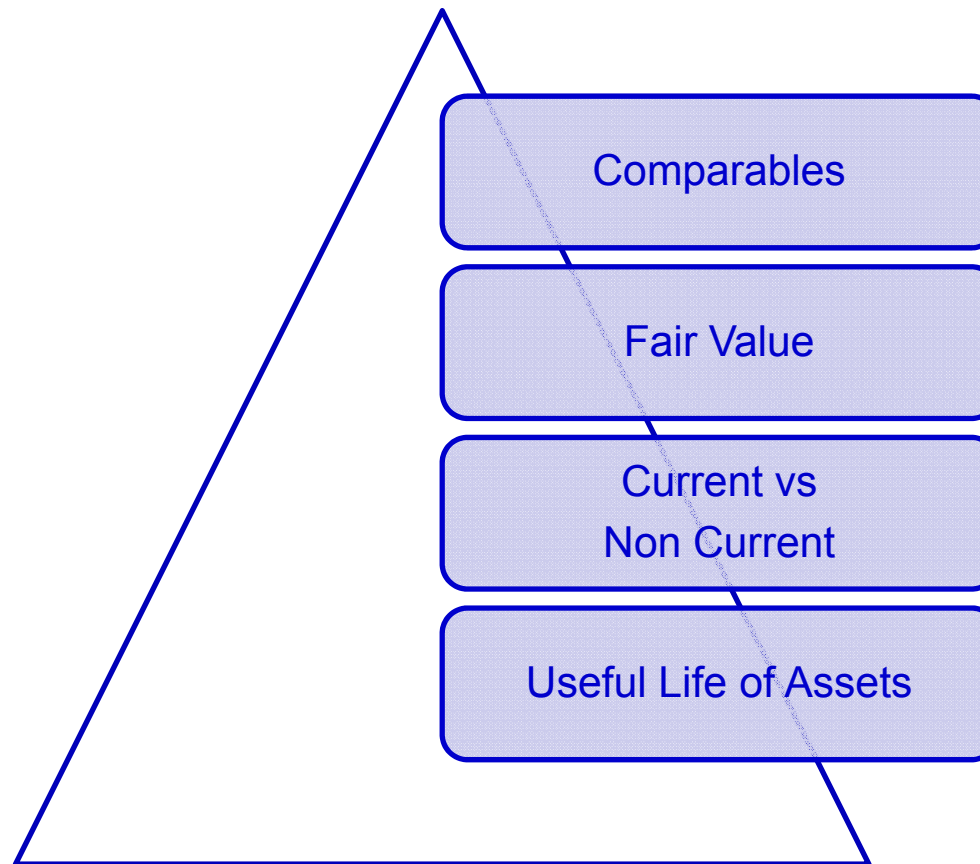
ISSUE – Ultimately...?



Concept Understanding

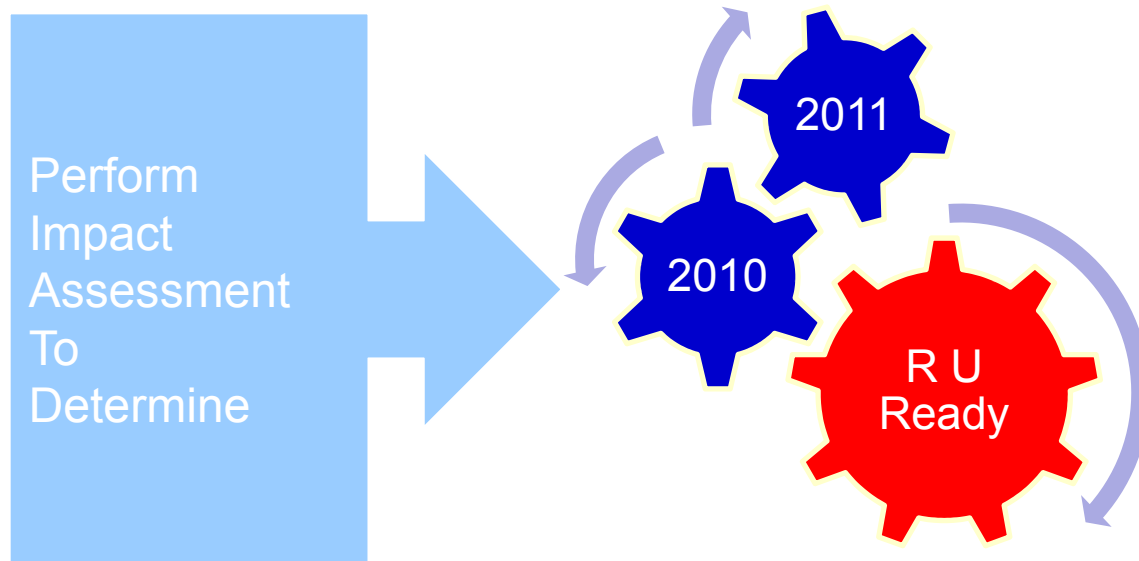


First Time Adoption - Concept



Net Outcome

- IFRS – Unavoidable
- Earlier the Better
- 2010 is The Action Point



Re Cap

- Accounting Profession is under going Transformation
- IFRS is A Reality
- Indian Accounting Standards are Converging with IFRS
- Challenges

Thanks

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