

# **IFRS – Basics and Differences with Indian GAAP**

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# Contents

- What, Why, How of IFRS
- Concept understanding
- Key Differences
- Challenges and Issues

# 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

## HOW..?

- Guiding Principles for IFRS Adoption: -
  - IFRS- 8 Standards (Now 9<sup>th</sup> has also come)
  - IAS- 41 Standards
  - IFRIC- 17 Interpretations
  - SIC- 33 Interpretations
  - Framework- Presentation of Financial Statements
  - Concepts- Other GAAPs

## Position in the World..

- Nearly 113 countries (require or permit)
- All Listed European Companies – adopted in 2005
- Pakistan – Already Reporting as per IFRS
- Canada – to Converge in Jan 2011
- US – Sooner or Later – To be Complete by 2014 / 2016
- India – phases 2011, 2013 and 2014

## India – latest circular by MCA

- Phase I from April 1, 2011– BSE 30, Nifty 50 and companies with more than 1000 crore net worth (as on March 31, 2009)
- They do not need to have opening balance sheets as per IFRS
- Phase II from April 1, 2013 – Listed companies with more than 500 crore net worth
- Phase III from April 1, 2014 – Listed companies
- Separate circular for banking and insurance – 2013

# How to Convert

- Study (understand)
- Discussions and Checklist
- Applicability
- Disclosures

# Differences..

# Key Differences

## IFRS Vs US GAAP

- Principle Based
- Complexity
- Globally Accepted

# IFRS vs. INDIAN GAAP

- First Time Adoption
- Presentation
- Substance – Rules
- Law vs. Standards

## IFRS vs. INDIAN GAAP

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

## Presentation - Notes to Accounts

- Basis of Transition to IFRS
- Retrospective Application–Applied/Exempted/Not Applied
- Current Application- Applied/Exempt/Not Applied
- Future Application- Applied/Exempt/Not Applied
- Covered- IFRS – IAS – IFRIC - SIC etc.

## Depreciation — What Rates?

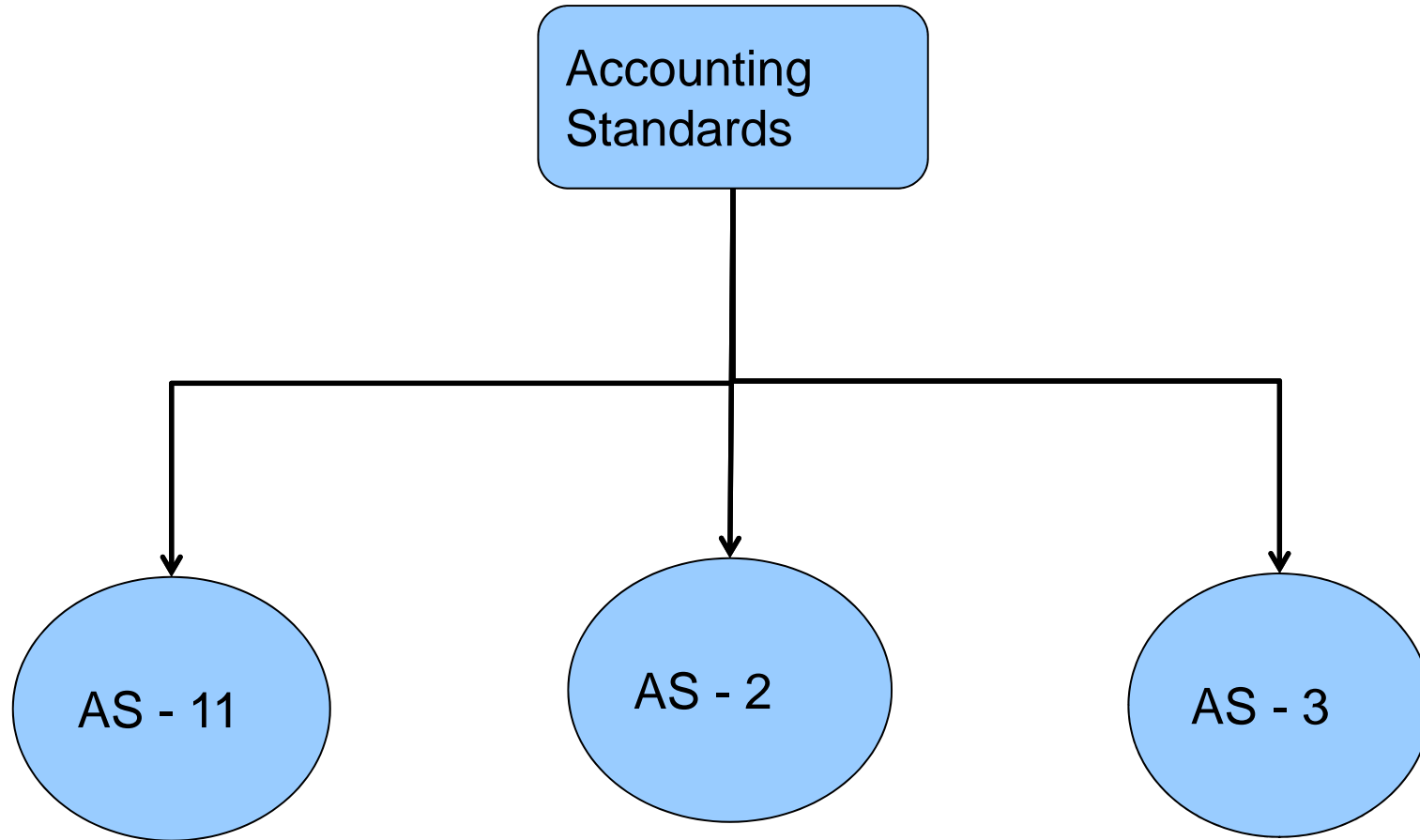
Nature of Assets	Rates as per Indian laws*	Rates as per IFRS
Building	4.75%	Over the useful life of the assets
Plant and Machinery	18.91%	
Tooling & Dies	18.91%	
Computer	40%	
Vehicles	25.89%	
Furniture & Fixtures	13.91%	
Office Equipment	18.91%	

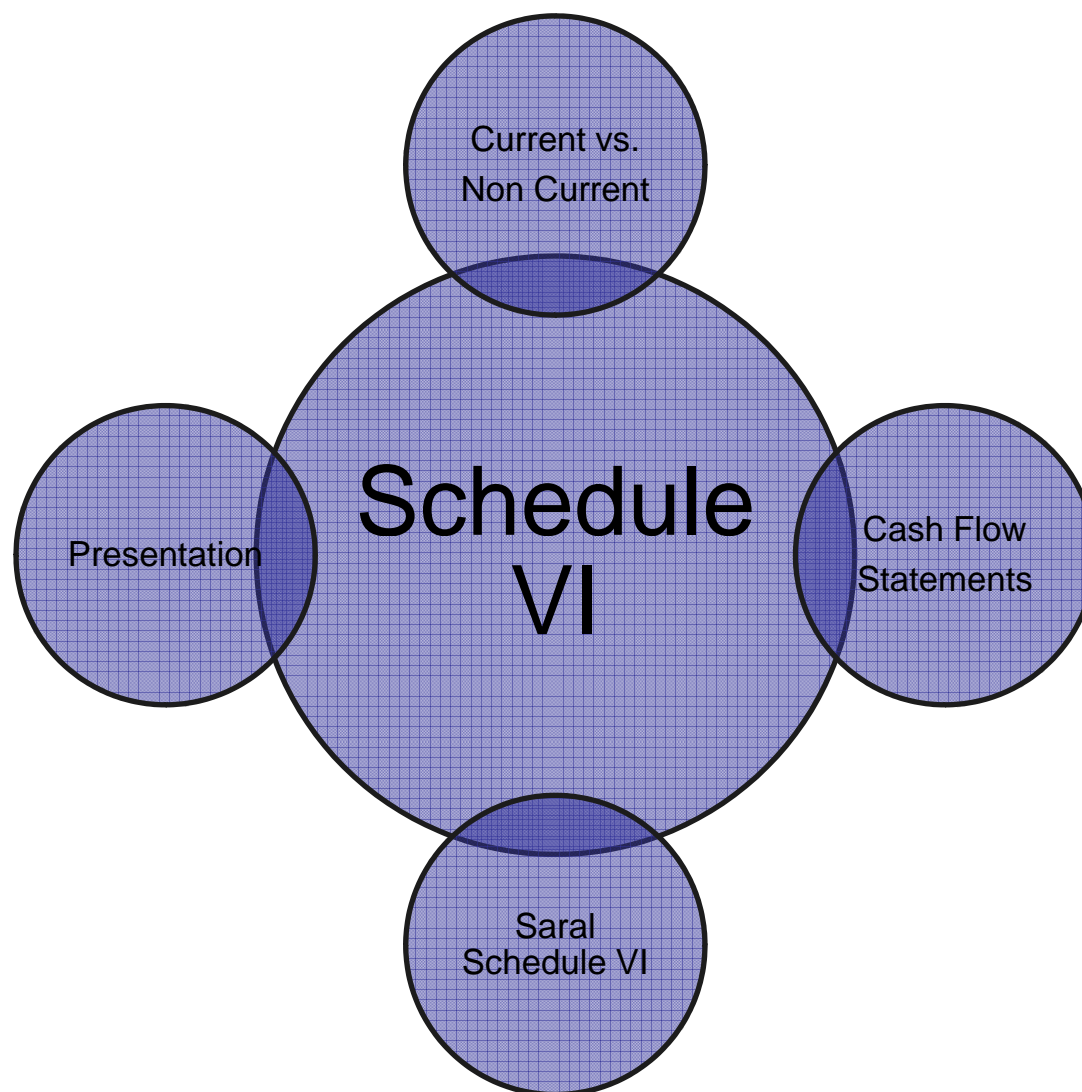
(\* Schedule XIV of the Companies Act, 1956 (WDV))

# Change in Policies / Estimates

**As per IAS 8**

S. No	Changes	Effect
1	Change in Accounting Policies	Retrospective
2	Change in Estimates	Prospective
3	Prior Period Items	Retrospective





# Company Law Bill Draft..

## Synchronization

- Reduce control
- Norms for small companies
- One Shareholder / One Director
- Stringent provisions for non compliance

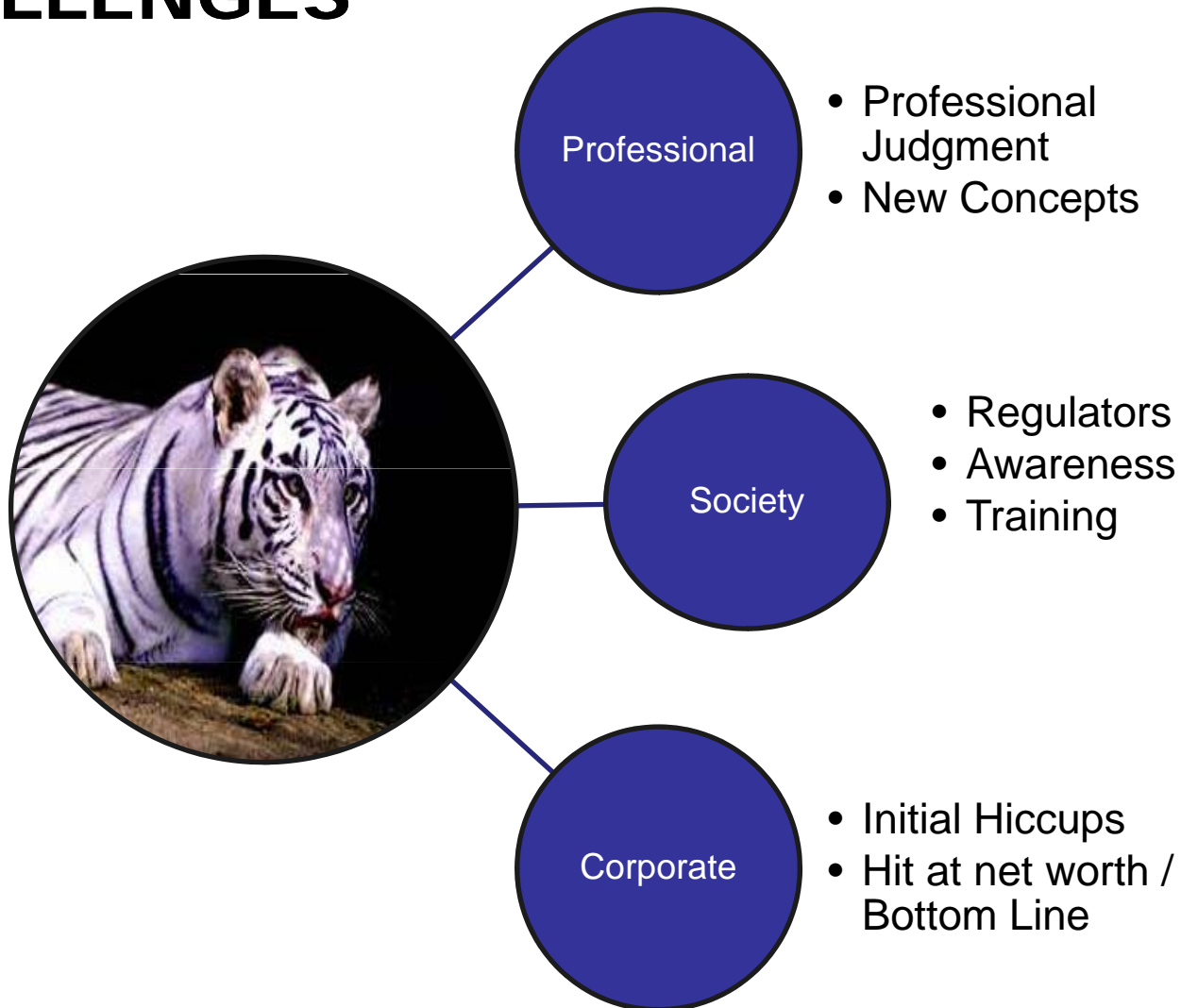
## Board

- Meeting 7 days notice
- Video conf allowed
- 12 month not attending – disqualify

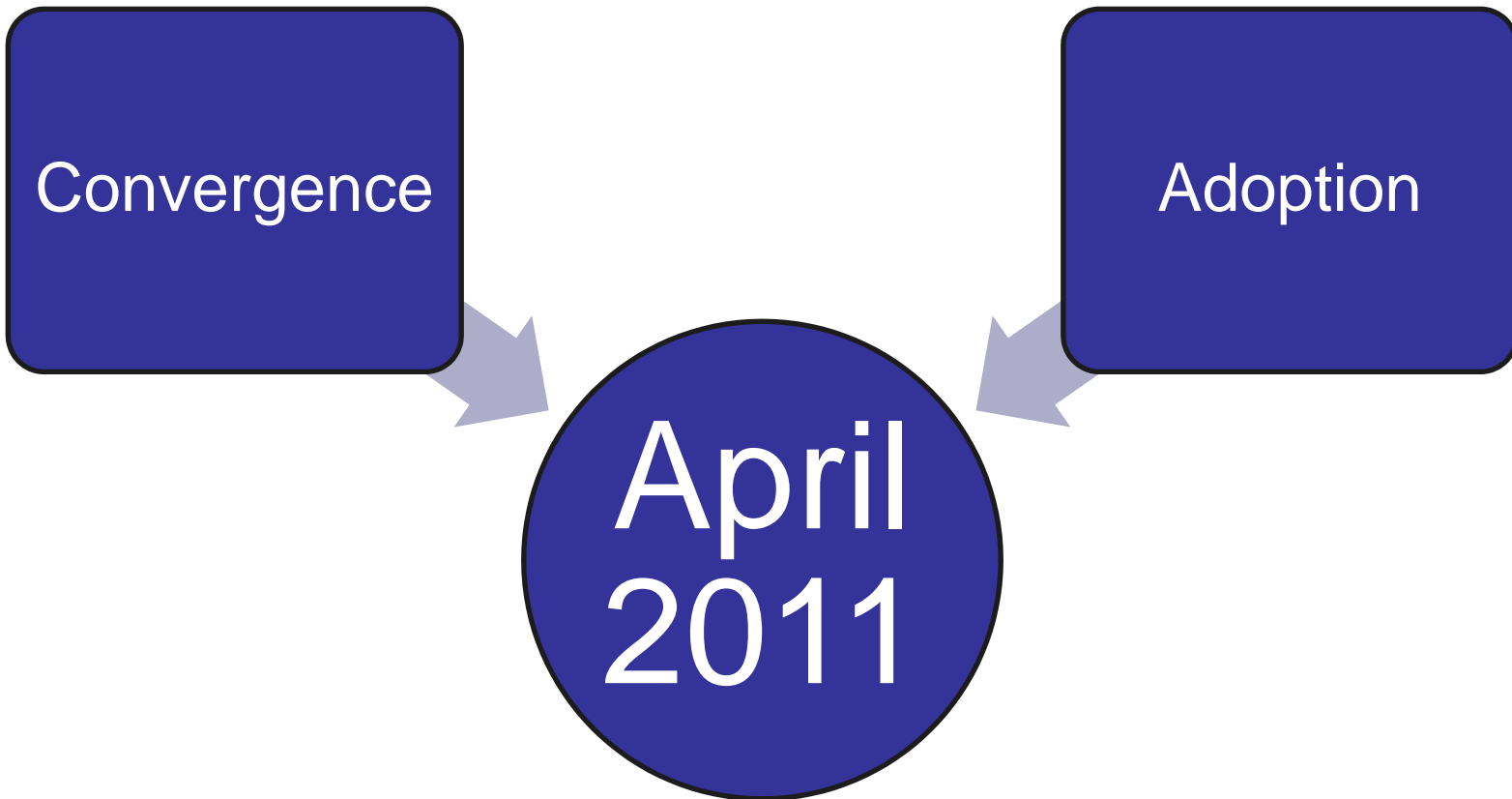
## Closure to IFRS

- New Schedule VI
- Consolidation Mandatory
- Special provisions for Mergers and Acquisitions
- Financial Statements to have features

# CHALLENGES



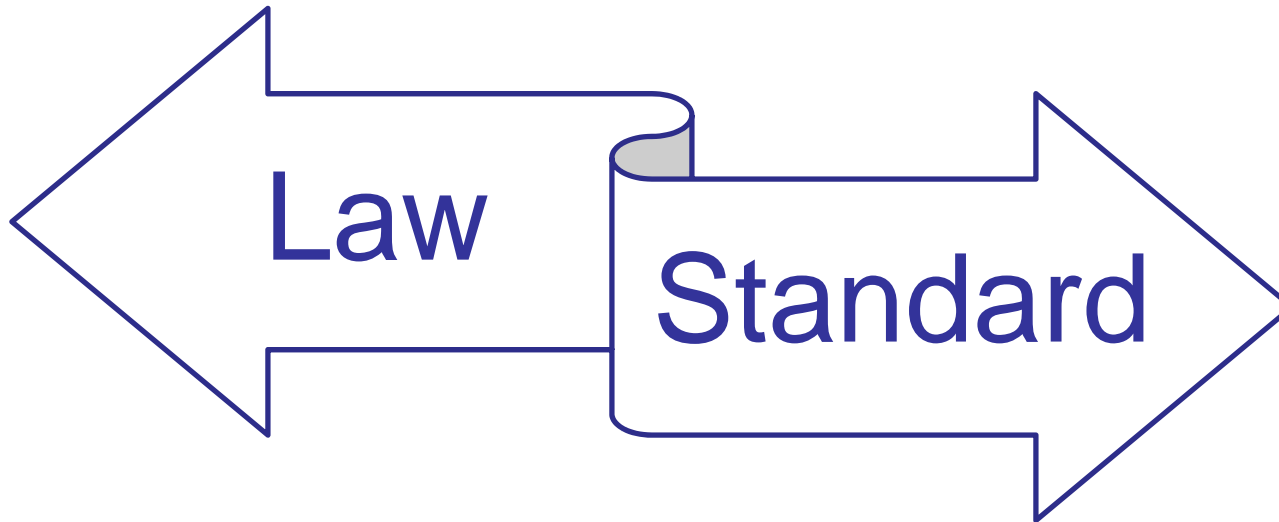
# ISSUES





*Building Business  
Partnerships*

# ISSUES



# Net Outcome !!!

- IFRS – Unavoidable
- Earlier the Better
- 2009 is The Action Point

# Thanks

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