

# **IFRS – Basics and Challenges**

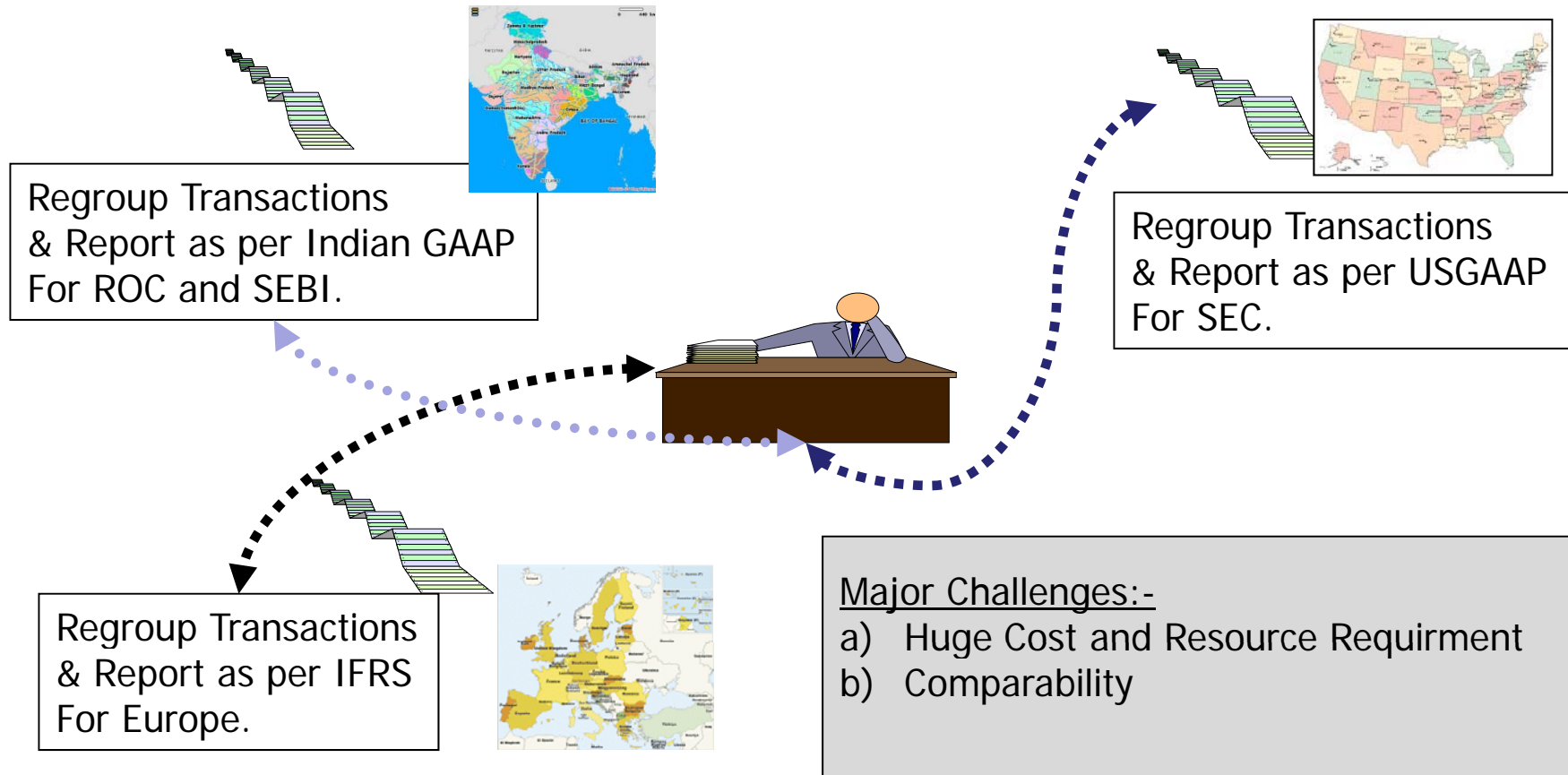
**Parveen Kumar**  
FCA, DISA, CIFRS (UK)  
Partner

# Contents

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

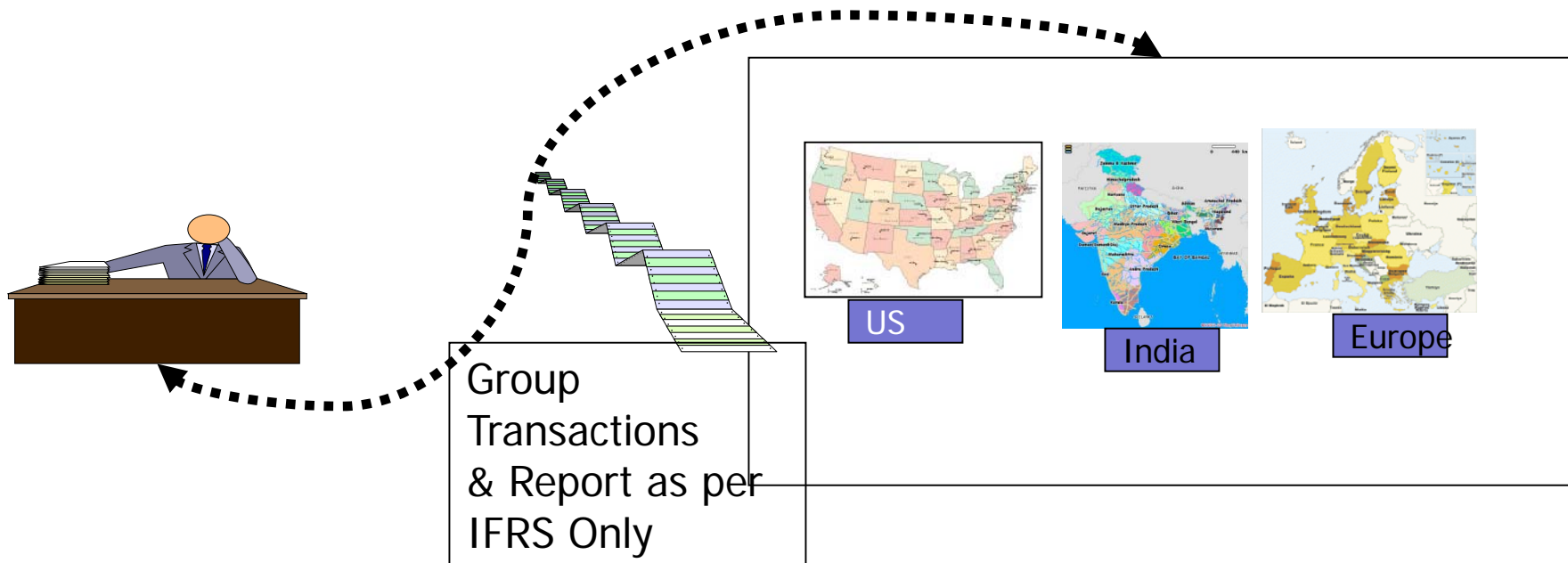
## Example:-

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

<b>Statement</b>	<b>IFRS</b>	<b>US GAAP</b>	<b>INDIAN GAAP</b>
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

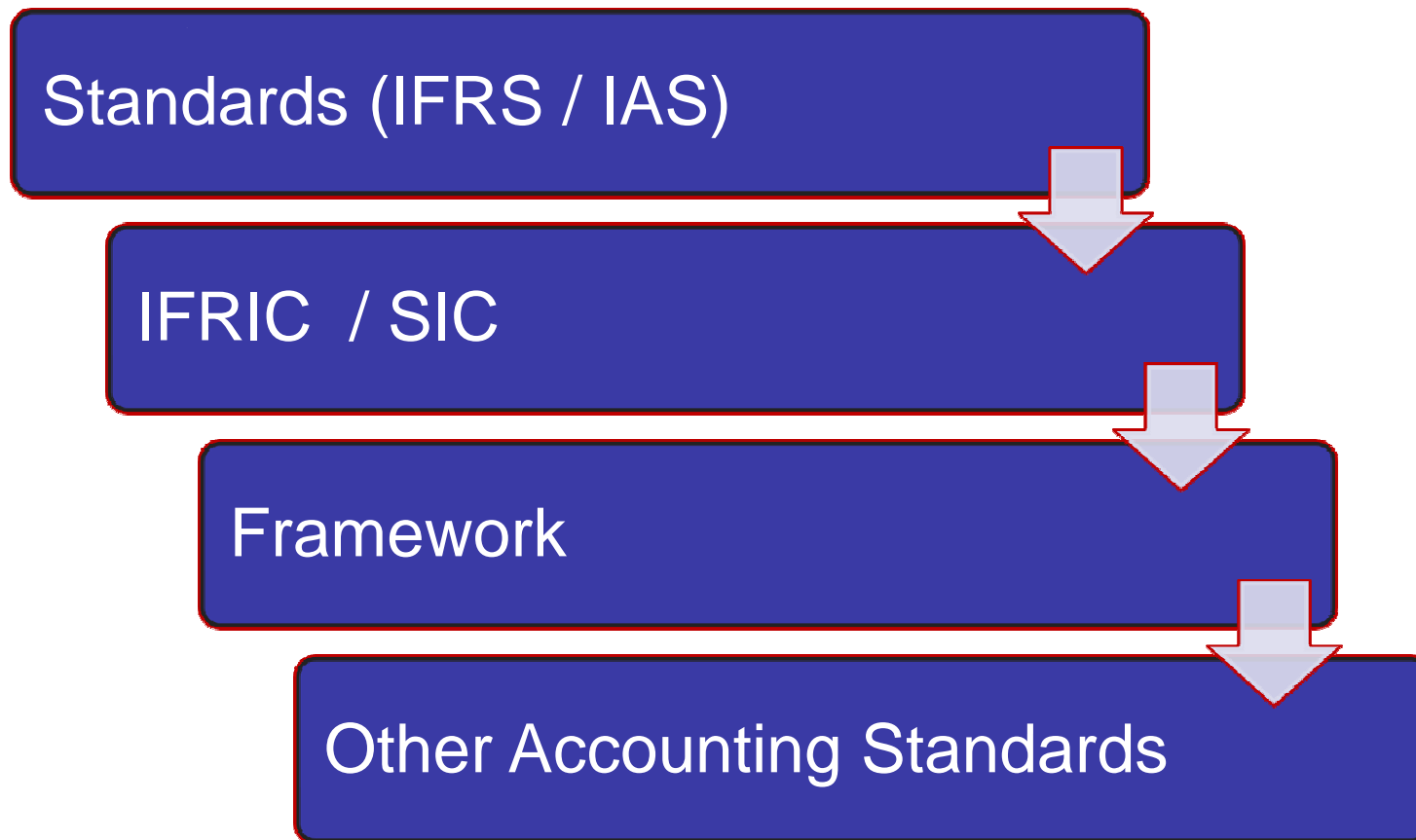
## Position in the World..

- 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...



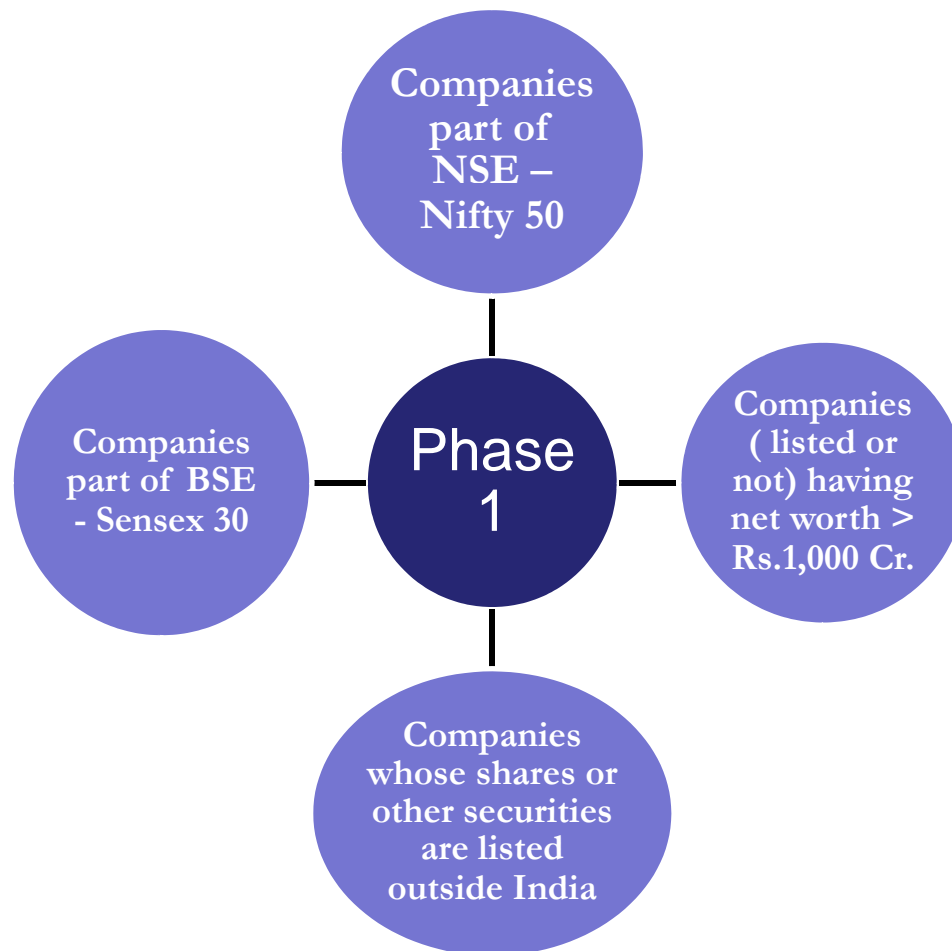
# Framework

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

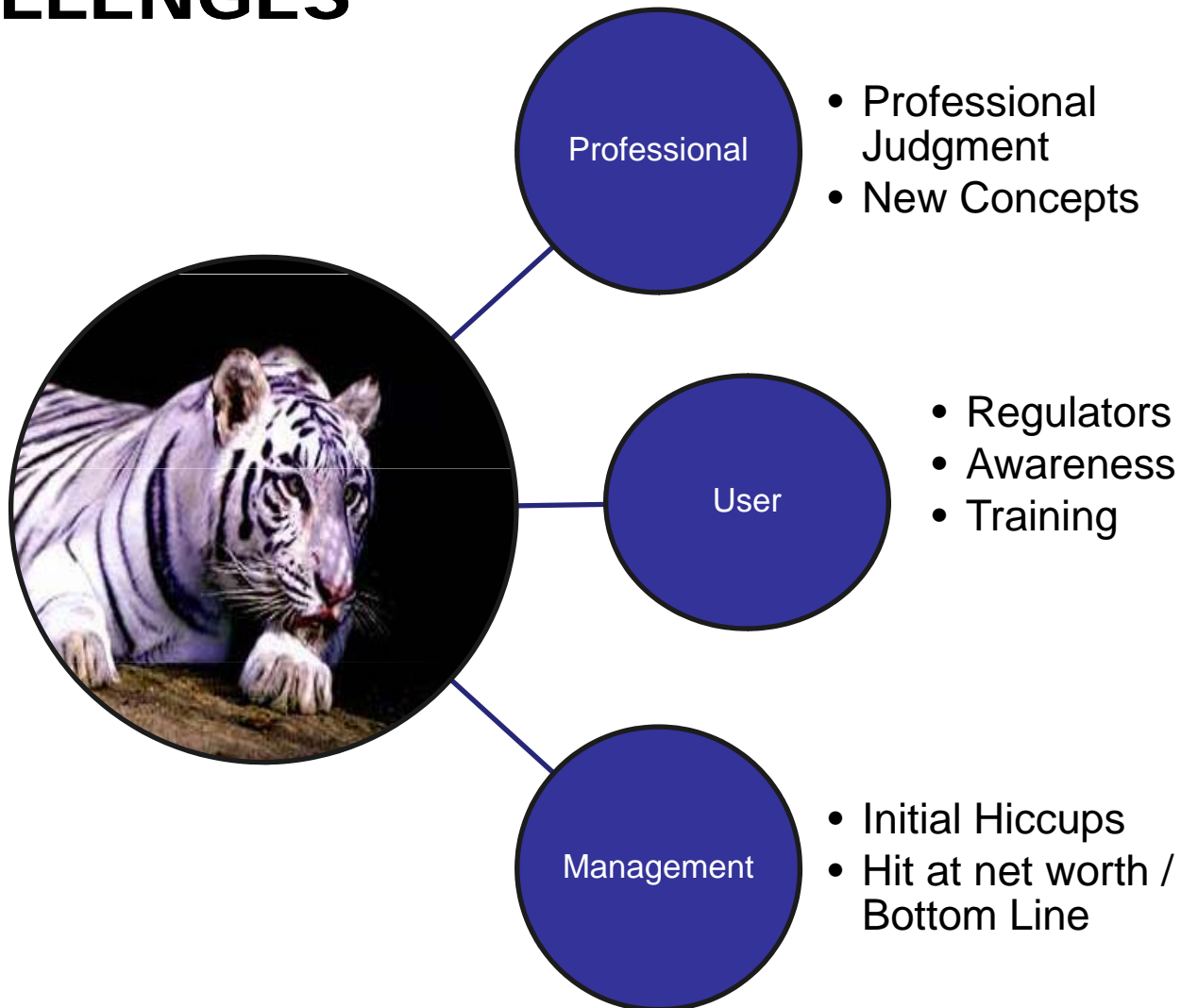
# Latest Developments

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

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



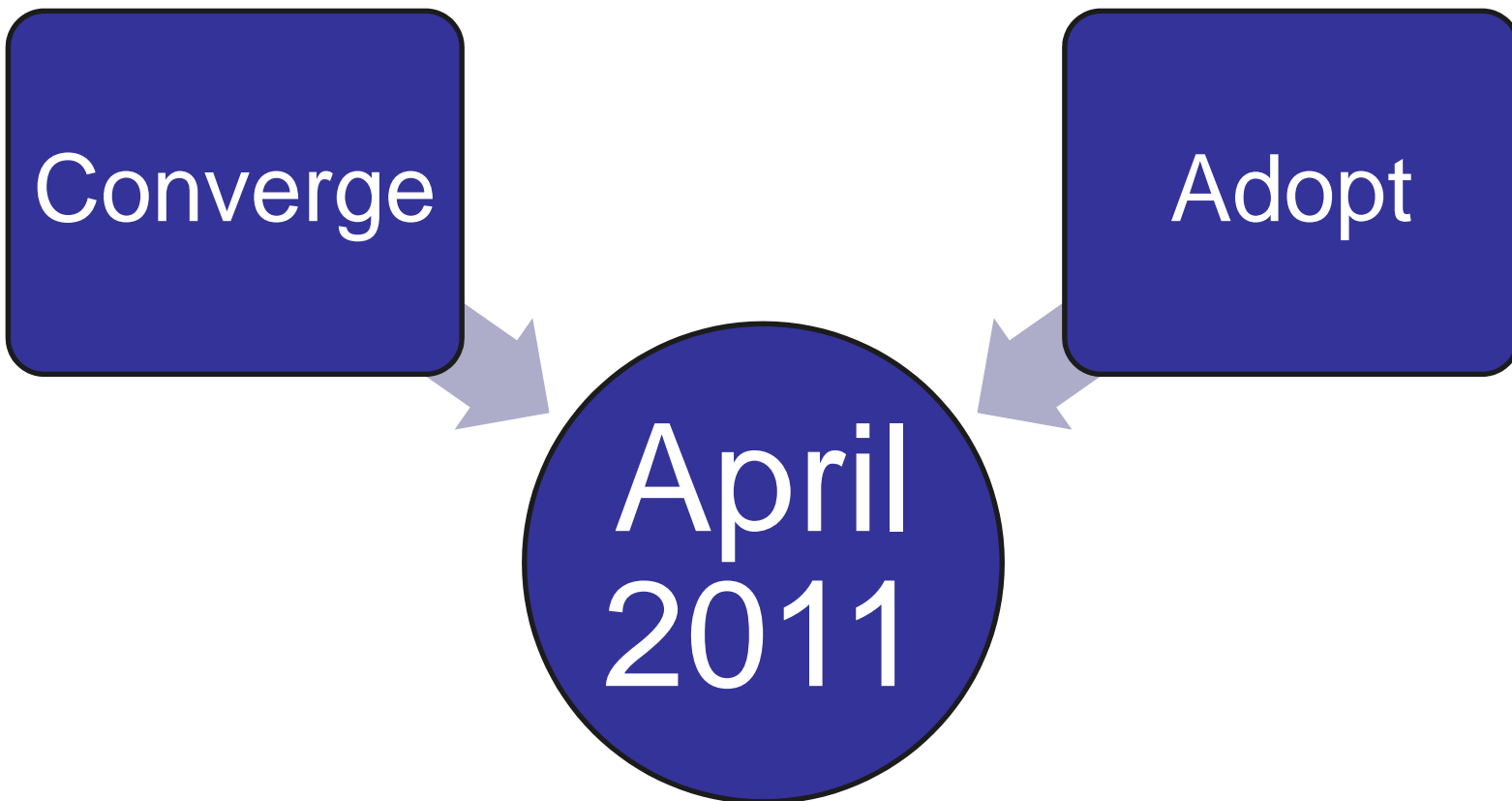
# CHALLENGES



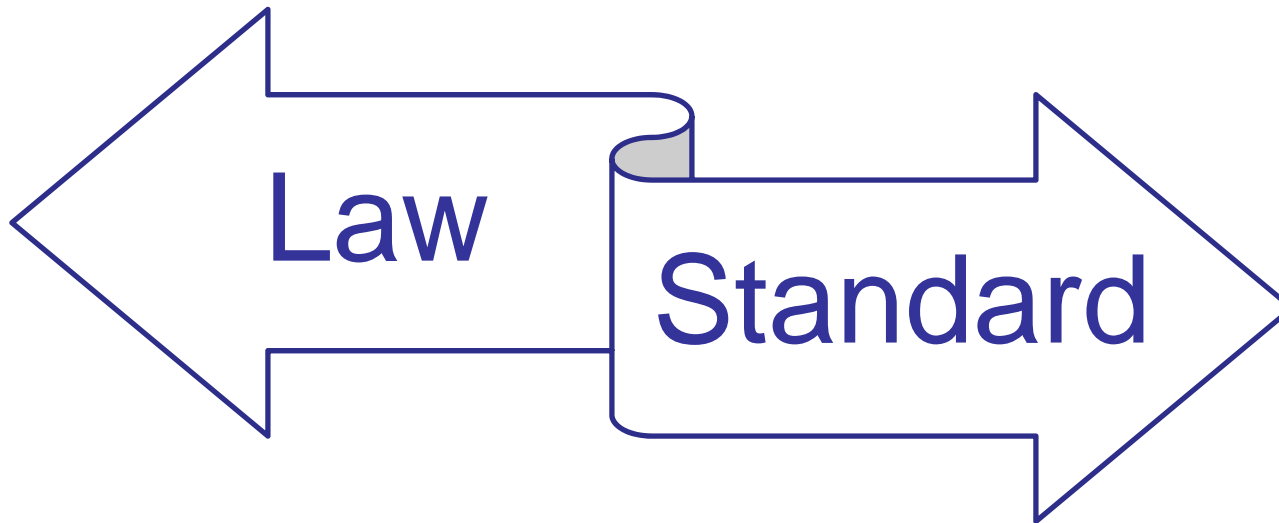
# USERS...



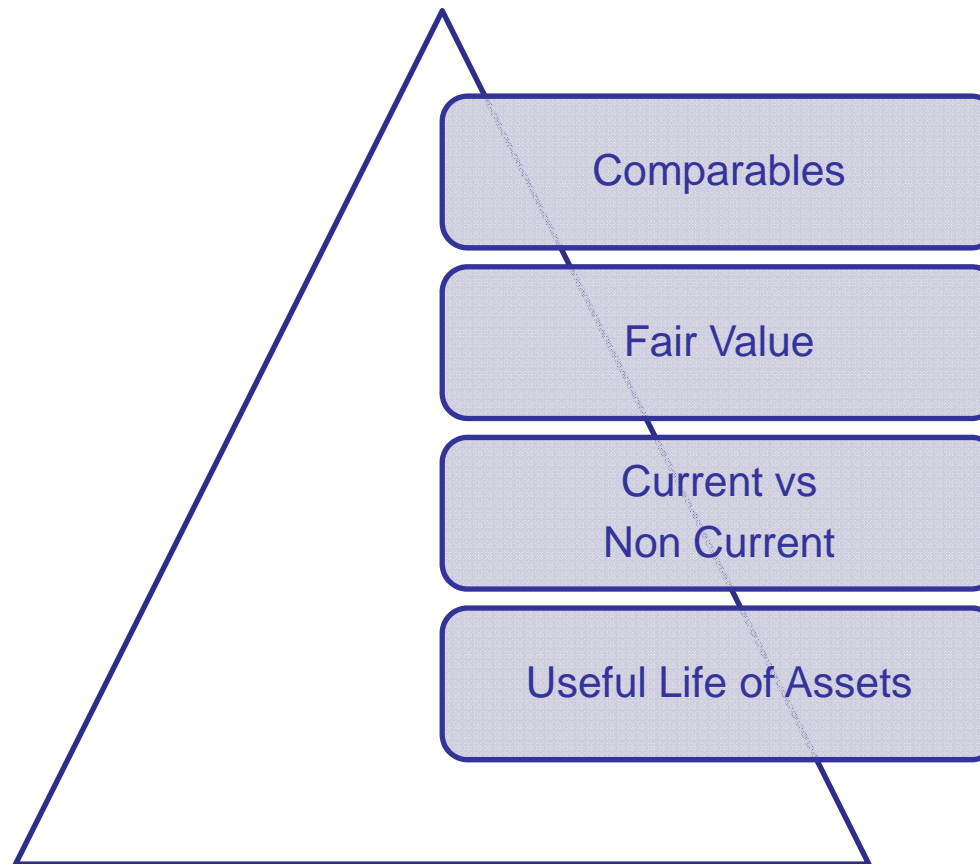
## ISSUE – Ultimately...?



# Concept Understanding

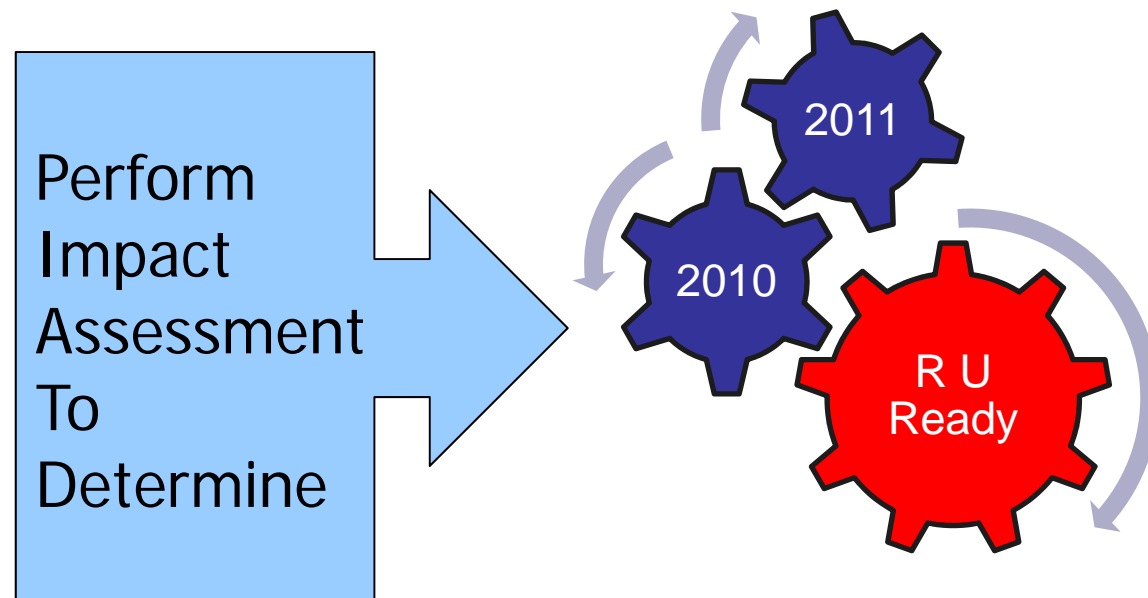


# First Time Adoption - Concept



## 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

[parveen.kumar@asa.in](mailto:parveen.kumar@asa.in)

# 9810101790

[www.asa.in](http://www.asa.in)