
Dr. Ajay N. Soni
Associate Professor & HOD
M. M. Gandhi Arts and Commerce College, Kalol - 389330, Gujarat.

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ABSTRACT

This paper is primarily an overview of the extent of adoption of IFRS Standards in 150 countries and other jurisdictions around the world. Together they represent around 98 per cent of the world's gross domestic product (GDP). IFRS began as an attempt to harmonize accounting across the European Union but the value of harmonization quickly made the concept attractive around the world. One overarching conclusion is evident from a review of the summaries and the underlying detailed information—the vision of a single set of global accounting standards first set out by the leaders of key accounting organisations around the world over 40 years ago is today a reality. Harmonization and convergence with IFRS can greatly contribute to the efforts to build global financial reporting infrastructure. This resulted in international initiative of convergence of Accounting Standards to a common standard viz. the International Accounting Standards/International Financial Reporting Standards (IFRS).

KEYWORDS: IFRS

The growing acceptance of International Financial Reporting Standards (IFRS) as a basis for U.S. financial reporting represents a fundamental change for the U.S. accounting profession. The number of countries that require or allow the use of IFRS for the preparation of financial statements by publicly held companies has continued to increase. In the United States, the Securities and Exchange Commission (SEC) is taking steps to determine whether to incorporate IFRS into the financial reporting system for U.S. issuers and, if so, when and how. International Financial Reporting Standards (IFRSS) are set by the International Accounting Standards Board (IASB), which was established in 2001 to replace the International Accounting Standards Committee (IASC). IASB members are accounting organisations that are members of the International Federation of Accountants (IFAC). International Accounting Standards was the name used for all the standards until the end of 2002, and International Financial Reporting Standards has been used since 2003. Both standards are applicable until the time that the IASs have been replaced by the IFRSs. International Financial Reporting Standards (IFRS) are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board (IASB), and they specify exactly how accountants must maintain and report their accounts. IFRS were established in order to have a common accounting language, so business and accounts can be understood from company to company and country to country.

The Institute of Chartered Accountants of India (ICAI) has announced that IFRS will be mandatory in India for financial statements for the periods beginning on or after 1 April 2016 in a phased manner. There is a roadmap issued by MCA for adoption of IFRS. Reserve Bank of India has stated that financial statements of banks need to be IFRS-compliant for periods beginning on or after 1 April 2011. The ICAI has also stated that IFRS will be applied to companies above INR 1000 crore (INR 10 billion) from April 2011. Phase wise applicability details for different companies in India. In India, the Central Government prescribes accounting standards in consultation with the National Advisory Committee on Accounting Standards (NACAS) established under the Companies Act, 1956. NACAS, has been engaged in the exercise of examining Accounting Standards prepared by ICAI. It has adapted the international norms established by the International Financial Reporting Standards [1] issued by the International Accounting Standards Board. The Central Government notified 28 Accounting Standards (AS 1 to 7 and AS 9 to 29) in December 2006 in the form of Companies (Accounting Standard) [2] Rules, 2006, after receiving recommendations of NACAS. The Government has adopted a policy of enabling disclosure of company accounts in a transparent manner at par with widely accepted international practices, through a process of convergence with the International Financial Reporting Standards (IFRS). The initiative for harmonization of the Indian accounting standards with IFRS, taken up by NACAS in 2001 and implemented through notification of accounting standards by the Central Government in 2006.

An important recent development is the extent to which IFRS is affected by politics. The credit crunch, the problems in the banking sector and the attempts of politicians to resolve these questions have resulted in
pressure on standard setters to amend their standards, primarily those on financial instruments. This pressure is unlikely to disappear, at least in the short term. The IASB is working hard to respond to this; we can therefore expect a continuous stream of changes to the standards in the next few months and years. The IASB has the authority to set IFRS and to approve interpretations of those standards. IFRSs are intended to be applied by profit-orientated entities. These entities' financial statements give information about performance, position and cash flow that is useful to a range of users in making financial decisions. These users include shareholders, creditors, employees and the general public. A complete set of financial statements includes a:

- Balance sheet.
- Statement of comprehensive income.
- Cash flow statement.
- Statement of changes in equity.
- A description of accounting policies.
- Notes to the financial statements.

The concepts underlying accounting practices under IFRS are set out in the IASB's 'Framework for the preparation and presentation of financial statements'.

**Objectives of IFRS**

1. To create the global financial reporting infrastructure.
2. To generate sound business sense among the beneficiaries.
3. To formulate and publish accounting standards to be observed in the presentation of financial statements
4. To generate the dimensions of fair presentation of financial statement.
5. To maintain higher transparency of financial statement and mobility of capital

**General features of IFRS:**

- Fair presentation and compliance with IFRS: Fair presentation requires the faithful representation of the effects of the transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework of IFRS.
- Going concern: Financial statements are present on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.
- Accrual basis of accounting: An entity shall recognise items as assets, liabilities, equity, income and expenses when they satisfy the definition and recognition criteria for those elements in the Framework of IFRS.
- Materiality and aggregation: Every material class of similar items has to be presented separately. Items that are of a dissimilar nature or function shall be presented separately unless they are immaterial.
- Offsetting: Offsetting is generally forbidden in IFRS. However certain standards require offsetting when specific conditions are satisfied (such as in case of the accounting for defined benefit liabilities in IAS 19 and the net presentation of deferred tax liabilities and deferred tax assets in IAS 12).
- Frequency of reporting: IFRS requires that at least annually a complete set of financial statements is presented. However listed companies generally also publish interim financial statements (for which the accounting is fully IFRS compliant) for which the presentation is in accordance with IAS 34 *Interim Financing Reporting*.
- Comparative information: IFRS requires entities to present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. In addition comparative information shall also be provided for narrative and descriptive information if it is relevant to understanding the current period's financial statements.
- Consistency of presentation: IFRS requires that the presentation and classification of items in the financial statements is retained from one period to the next unless: it is apparent, following a significant change in the nature of the entity’s operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS 8; or an IFRS standard requires a change in presentation.

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 roles of...
Indian accounting standards, which are becoming closer to IFRS, have assumed a great significance from the point of view of global financial reporting. More than 12,000 companies and about 109 countries presently require or permit use of IFRS in preparation of financial statements in their country. The transition to financial statements that comply with IFRSs will be significant. The number of enterprises that will have to prepare financial statements in compliance with IFRS will increase sharply, bringing about a qualitative shift in financial reporting. The new method of reporting will in certain cases also affect the financial position and performance of an enterprise. There will be value changes in basic elements of financial statements, as assets, liabilities, equity, expenses and income are reported in accordance with both national regulations and IFRSs. There will be demanding preparation for the enterprises affected by these provisions. They face a number of questions in regard to the first-time adoption of IFRS. Each enterprise making the transition to the international standards needs to define those areas of the transition which will bring about significant changes in their assets, equity items or external funds and which affect the meaning of the financial statements.

Reference
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