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# Application of International Accounting Standards (IFRS) Globally: A Critique

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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. These companies are increasingly accessing the global markets to fulfill their capital needs by getting their securities listed on the stock exchanges outside their own countries. This results in making the capital markets global in nature. The use of different accounting frameworks in different countries create 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 firms 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.

This study examines the status of adoption of International Financial Reporting Standards around various countries of the world. We have studied 18 countries of the world across different continents and tried to find out the status of implementation of IFRS in their respective financial markets. This study covers the major countries of the world which reflects that how far the world is taking the buzzword of IFRS in consideration for the development of the world economy. Thus, this study should be an eye opener for those countries that are still to implement IFRS.

***Keyword:*** IFRS, Ind AS, ICAI, NACAS, IAS, IFAC, IOSCO, IMF, G20

## 1. INTRODUCTION

International Accounting Standards Board (IASB), based in London, England, was established in April 2001 as the successor to the International Accounting Standards Committee (IASC). It is the responsibility of the IASB for developing and implementing International Financial Reporting Standards (the new name of International Accounting Standards (IAS) issued after 2001) by its member countries around the world. Adoption of IFRS has received much attention in the professional and academic literature of the developed, emerging, developing and underdeveloped countries.

International Financial Reporting Standards (IFRS) are a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. These standards enable the investors and other users of the financial statements to compare the financial statements on a like-for-like basis with their international peers. Many international organizations including IFAC, IOSCO, Basel Committee, IMF, World Bank and G20 supported the vision of global accounting standard called as IFRS.

The objective of this study is to examine and understand the status of adoption of IFRS by various countries of the world. This would be helpful to the countries that are yet to come under the ambit of IFRS. We have selected a few countries from all the continents of the world on the basis of their Gross Domestic Product for the year 2016 and analyzed the status of adoption of IFRS by their economies. We have included 7 countries from Asia viz. China, Japan, India, South Korea, Indonesia, Bangladesh and Bhutan; 3 countries from Africa viz. Nigeria, Egypt and South Africa; 2 countries from North America viz. United States and Canada; 2 countries from South America viz. Brazil and Argentina; 3 countries from Europe viz. Russia, Germany and France; lastly Australia. Thus, 18 countries across the world form part of our study.

## 2. IFRS AROUND THE WORLD

### IFRS in CHINA

China stated that convergence is one of the fundamental goals of their standard-setting programme, with the intention that an enterprise applying Chinese Accounting Standards (CASs) should produce financial statements that are the same as those of an enterprise that applies IFRSs.

The IASB notes that, in converging their national standards with IFRSs, some countries add provisions and implementation guidance not included in IFRSs to reflect the circumstances of those countries. This is a pragmatic and advisable approach with which China agrees.

In February 2006, the Ministry of Finance of the People's Republic of China (MoF) formally announced the issuance of the Accounting Standard for Business Enterprises (ASBEs). These ASBEs cover nearly all topics under current IFRS, though some exceptions to IFRSs are noted. These standards, which became effective from January 1, 2007, are mandatory for all listed Chinese enterprises. Other Chinese enterprises are also encouraged to apply these standards. The MoF and the IASB have acknowledged that convergence is an on-going process. The MoF identified a number of accounting issues that might help to provide input for the IASB in finding solutions for IFRS projects currently undertaken in the area of disclosure of related party transactions, particularly the 'state controlled enterprises exemption' (the IASB published an exposure draft on February 22, 2007), business combinations of entities under common control, and fair value measurement.

In November 2006, the MoF has issued limited implementation guidance on 32 of the 38 ASBEs that it adopted in February 2006, effective for 2007 financial reports of Chinese listed companies. During 2006, China has issued Exposure Drafts of the Basic Accounting Standard for Business Enterprises and 20 specific standards. China expects to issue two more exposure drafts. At the same time, China has also begun a review of its 16 existing CASs. As a result, CAS's Accounting Standards System for business enterprises is being developed with a view to achieve convergence of those standards with the equivalent IFRSs. Both the bodies accepted that differences between CASs and IFRSs still exist at the moment on a limited number of matters viz. accounting for certain government grants, disclosure of related party relationships and transactions, reversal of impairment losses, etc. Both the bodies agreed to work together to eliminate those differences as early as possible.

## IFRS in JAPAN

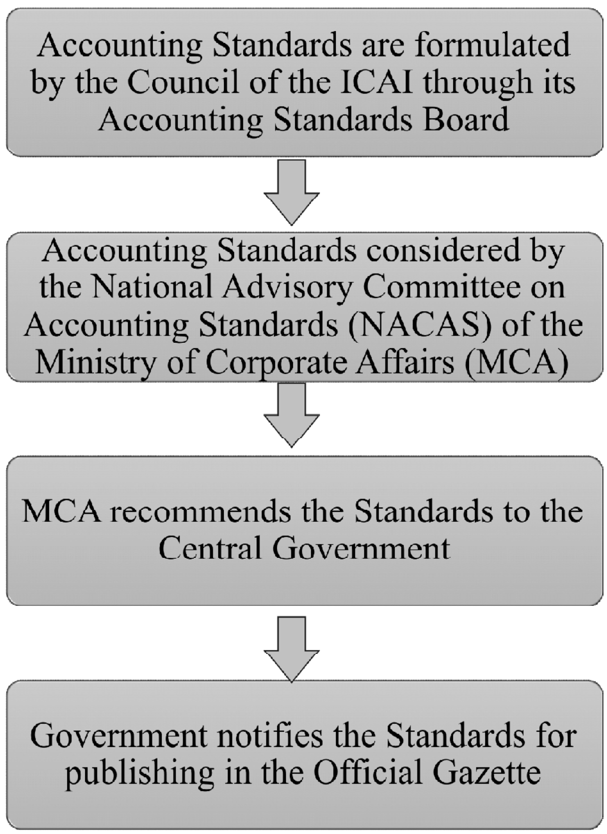
In March 2005, the IASB and the Accounting Standard Board of Japan (ASBJ) released an initiative to accelerate convergence between Japanese GAAP and IFRS which was known as 'The Tokyo Agreement'. Under this, IASB and ASBJ identified 'short-term projects' and 'long-term projects'. Short-Term Projects viz. Inventories (LIFO), Uniformity of Accounting Policies in Associated Companies, Business Combinations including Pooling-of-interest method, Disclosure of Fair Values of Financial Instruments, Asset Retirement Obligations, Construction Contracts, etc., are scheduled to be concluded by 2008 which has already been completed. For long-term projects viz. retirement benefits, impairment of fixed assets, the scope of consolidation, intangibles, performance reporting and revenue recognition, the ASBJ has decided to initiate research projects in order to align the work with the projects run by the IASB and FASB.

A meeting was held on September 27-28, 2007 between members of ASBJ and IASB with two objectives. First, to review the convergence process and the shared goal of eliminating the differences between IFRS and Japanese GAAP by 2008, with the remaining differences being removed on or before June 30, 2001. Second, to discuss the arrangements for the ASBJ to give its views into the IASBs current work programme. The discussions included a review of short-term convergence projects, where major differences are to be eliminated towards the goal of 2008, as well as other major projects including segment reporting, intangible assets, special purpose entities and business combinations. In addition, the representatives of the boards exchanged views on the current status of their work on consolidation, liabilities and equity and revenue recognition. The boards also agreed on future arrangements for interaction both by board members and by staff in order to achieve convergence within the agreed timetable. In the 7$^{th}$ meeting held on April 8-9, 2008, the boards confirmed that the convergence project to eliminate major differences between Japanese GAAP and current IFRSs by the end of 2008 is progressing in line with the project plan.

As a result of proactive convergence efforts by the ASBJ and other stakeholders, in accordance with the project schedule developed based on the Tokyo Agreement, the European Commission (EC) announced in December 2008 its final decision that Japanese GAAP and the US GAAP are equivalent to the IFRS adopted by the EU. The EU's decision on the equivalence assessment of Japanese GAAP can be regarded as a proof of the outstanding quality and international consistency not only of the accounting standards themselves but also of its accounting practices based on the standards at this point of time. However, in view of the importance of accounting standards and their application in capital markets as mentioned above, the fairness and transparency of Japanese markets as well as the country's stance on investor protection need to be reaffirmed and the convergence efforts should be continued toward development and application of high-quality and internationally consistent accounting standards, including those being reviewed by the IASB (other than the remaining differences mentioned in the Tokyo Agreement), in order to enhance the attractiveness of the Japanese capital markets and ultimately to maintain and foster its economic vitality.

## IFRS in INDIA

Institute of Chartered Accountants of India (ICAI) formulates Accounting Standards in India through its council. There is a body named National Advisory Committee on Accounting Standards (NACAS) of the Ministry of Corporate Affairs, Government of India, to which these standards are submitted after being formulated by ICAI. The job of NACAS is to recommend the Accounting Standards to the Central Government for notifying under the Act. After this, Central Government accepts the recommendation of NACAS and notifies the Standards under the Act by publishing them in the Official Gazette. The stepwise schematic diagram of the process is shown in figure below:




**Stepwise schematic diagram of the process of development and approval of accounting standards in India**

At present, 29 accounting standards have been notified under the Companies Act, 1956, which are based on old IASs. In 2007, ICAI commenced the process of developing a separate set of accounting standards that are converged with IFRS, to be known as India Accounting Standards or IND ASs. 35 Ind ASs corresponding to IFRS were placed on the website of the Ministry of Corporate Affairs on April 1, 2011. But, these have not been notified under the Companies Act, 1956.

The Indian Government and ICAI had initially decided to implement the Ind ASs from April 1, 2011. But, the date has been deferred due to pendency of resolution of certain issues including tax issues.

All old accounting norms in India would soon be a passé as on April 1, 2017, scores of Indian companies listed on the bourses with a net worth of at least INR 500 Billion will have to make a switch to the new accounting norms based on the International Financial Reporting Standards. India showed its intention to adopt or converge to IFRS in 2011 as businesses are growing not just in its horizon but also in its complexities and the move towards IFRS would ensure the bridging of this void created by the use of simple standards of managing business.

## What it means to Convergence with IFRS in India?

Convergence means to be in sync with IFRS. In literal term, convergence means to design and maintain national accounting standards in a way that financial statements prepared in accordance with national accounting standards draw unreserved statement of compliance with IFRSs. It simply means that national accounting standards would comply with all the requirements of IFRS and not the verbatim translation to IFRS. Converging to IFRS would bind India in the same thread with many other countries of the world and it will prove to be of the very crucial points that give comparable standards with other countries of the globe. This would further make it difficult to disagree with Thomas L. Friedman, the author of the famous book 'The World is Flat', who said that right around the year 2000, we entered a new stage of globalization, which would make the world a vast global village.

Furthermore, fuelled by rapid globalization, world attention today is centered on two emerging market economies i.e., India and China. Since the liberalization of the Indian economy in 1991, India has opened its doors for foreign competition and foreign investment which has changed the nature of information and accounting language in India industries. The foremost step in this process is the demand for transparency in the financial reporting.

## Accounting Standards (ASs) – Legal Recognition

### *Companies Act*

Section 211(3C) of the Companies Act, 1956 and Section 133 of the Companies Act, 2013 accorded the legal recognition to the ASs. These Acts provides that until the ASs are notified by the Central Government, the ASs specified by the ICAI shall not be followed by the companies. The Ministry of Corporate Affairs, Government of India, has issued a notification on December 7, 2006, prescribing ASs 1 to 7 and 9 to 29.

The Schedule VI of the Companies Act, 1956 has been recently revised. The revised format of Schedule VI, notified by the Ministry of Corporate Affairs, prescribes the format in which the Balance Sheet and Statement of Profit & Loss are to be prepared by the corporate entities and the disclosures to be made in the Balance Sheet and Profit & Loss account. Additional disclosures specified in the ASs are made in the notes to accounts or by way of separate statements. The Schedule III is applicable for corporate entities which follow the non-converged ASs notified under the Companies (ASs) Rules, 2006.

The Table 1 (in Appendix) sets out the current India non-converged ASs with the corresponding number of the relevant IAS/IFRS.

There are currently no corresponding Accounting Standards under Indian GAAP for the following IFRSs/IASs:

- IAS 26: Accounting and Reporting by Retirement Benefit Plans
- IAS 29: Financial Reporting in Hyper-inflationary Economies
- IAS 40: Investment Property
- IAS 41: Agriculture
- IFRS 1: First Time Adoption of IFRSs
- IFRS 2: Share-based Payment
- IFRS 4: Insurance Contracts
- IFRS 6: Exploration for and Evaluation of Mineral Resources

## Converged Standards

The Institute of Chartered Accountants of India (ICAI) issued a concept paper on the convergence of Indian GAAP with IFRS in October 2007. The ICAI proposed that the public interest entities like listed companies, banks, insurance companies and large-sized companies should adopt the IFRS on or before April 1, 2011.

As per the directions (January 2010) given by the Ministry of Corporate Affairs, Government of India, the nodal Ministry for implementation of IFRS, there would be two separate sets of Accounting Standards under section 211(3C) of the Companies Act, 1956 from April 1, 2011. The first set would include the India Accounting Standards which are converged with the IFRS and would be called as "the converged standards" which would be applicable to specific classes of companies. The second set would include the existing Indian Accounting Standards and would be called as "the non-converged standards". These would be applicable to:

1. Non-listed companies having net worth of INR 50 Billion or less and whose shares and other securities are not listed outside India; and
2. Small & Medium sized companies.

The MCA proposed the following phase-wise implementation of IFRS in India:

**Phase-I:** The following companies were required to prepare their opening balance sheets as on April 1, 2011:

1. Companies listed on National Stock Exchange (NSE) – Nifty 50
2. Companies listed on Bombay Stock Exchange (BSE) – Sensex 30
3. Companies whose shares or other securities are listed outside India
4. Companies having net worth is in excess of INR 100 Billion, whether listed or not

**Phase-II:** The following companies were required to convert their opening balance sheets as on April 1, 2013:

1. Companies having net worth of more than INR 50 Billion but less than INR 100 Billion, whether listed or not.

**Phase-III:** The following companies were required to convert their opening balance sheets as on April 1, 2014:

1. Listed companies having net worth of INR 50 Billion or less.

Further, MCA issued a roadmap in March 2010 for implementing IFRS in Banks, Insurance Companies and NBFCs. It is as follows:

**Phase-I:** All insurance companies were required to convert their opening balance sheets as on April 1, 2012 according to the converged standards.

**Phase-II:** The following companies were required to convert their opening balance sheets as on April 1, 2013:

1. All Scheduled Commercial Banks (SCBs).
2. Urban Co-operative Banks (UCBs) having a net worth in excess of INR 30 Billion
3. NBFCs listed on NSE or BSE
4. NBFCs, whether listed or not, having net worth in excess of INR 100 Billion.

**Phase-III:** The following companies were required to convert their opening balance sheets as on April 1, 2014:

1. UCBs having net worth exceeding INR 20 Billion but less than INR 30 Billion
2. NBFCs, whether listed or not, having net worth in excess of INR 50 Billion but less than INR 100 Billion

The definition of net worth for the purpose of above calculations is:

Net Worth=Share Capital+Reserves-Revaluation Reserves-Miscellaneous Expenditure-Debit Balance of Profit and Loss account.

Further, by a gazette notification dated February 19, 2015, Ministry of Corporate Affairs notified new Accounting Standards in line with IFRS. These accounting standards will be called as Indian Accounting Standards or Ind ASs. The companies and their auditors shall comply with Ind AS in preparation of their financial statements and audit respectively, in the following manner:

1. Companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of INR 50 Billion or more shall comply with Ind AS for the accounting periods beginning on or after April 1, 2016.

2. Companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than INR 50 Billion shall comply with Ind AS for the accounting periods beginning on or after April 1, 2017.

Further, this gazette notification also stated that 'the insurance companies, banking companies and non-banking finance companies shall not be required to apply Ind AS for preparation of their financial statements either voluntarily or mandatorily'.

Ministry of Corporate Affairs, Government of India issued a press release on January 18, 2016, wherein a roadmap for adopting Ind AS was announced for scheduled commercial banks (excluding regional rural bank), insurers/insurance companies and non-banking finance companies. Thus, now, it has become mandatory to implement Ind AS for accounting period beginning from April 1, 2018 onwards for the followings:

1. Scheduled commercial banks (excluding regional rural banks)
2. All India term-lending refinancing institutions (i.e., Exim Bank, NABARD, NHB and SIDBI)
3. Insurers/insurance companies

NBFCs will be required to prepare Ind AS based financial statements in two phases:

**Phase-I:** mandatory for accounting period beginning from April 1, 2018 onwards for NBFCs having net worth of INR 50 Billion or more

**Phase-II:** mandatory for accounting period beginning from April 1, 2019 for:

1. NBFCs whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and having net worth less than INR 50 Billion
2. NBFCs that are unlisted companies and having net worth of INR 25 Billion or more but less that INR 50 Billion.

The table 2 (in Appendix) presents the Ind ASs with the corresponding and matching IFRS/IAS.

## IFRS in KOREA

Korea has adopted International Financial Reporting Standards (IFRS) since 2011. There was view on that many problems, such as corporate governance, furthermore previous Korean local GAAP *per se,* deteriorating earnings quality in Korea brought about the financial crisis in 1997. Korea has adopted various accounting reform enhancement plans since the financial crisis to enhance quality of financial accounting information and transparency of capital market. In particular, the adoption of IFRS from local GAAP is remarkable change of accounting practices in Korea. IFRS is principle-based accounting standards, while Korean GAAP is rule-based ones. The principle-based accounting of IFRS can give discretion to manager by reflecting firm's substance. IFRS can also estimate assets or liabilities by fair value. In addition, IFRS demand to report fair-value measurement method and manager's discretion contents in detail at footnotes on the financial statement.

With the adoption of IFRS, earnings quality can draw keen attention from information user as well as manager, because there are certain issues that fair value accounting of IFRS may deteriorate earnings quality. IFRS use fair value accounting approach, while Korean local GAAP use historical cost approach in measuring earnings. It is also argued that the change of consistency from local GAAP to IFRS may have a negative impact on earnings quality.

## IFRS in INDONESIA

In Indonesia, the Indonesian Institute of Accountants (IAI) is the accounting professional body which is recognized by the Government. The Indonesian Financial Accounting Standard Board viz. 'Dewan Standard

Akuntansi Keuangan' (DSAK) is the accounting standard setter established under IAI. The members of DSAK are appointed by IAI and also financially supported by IAI.

Indonesia has not yet adopted IFRS, but, it has made a public commitment in support of moving towards a single set of high quality global accounting standard. Indonesia has publically stated that it will follow the policy of maintaining its national GAAP and will converge gradually with IFRSs as much as possible. Indonesia has announced that it will officially adopt IFRS in 2012. It was found that Indonesia's standard setter (DSAK) seems to be divided by the sensitive issue of whether IFRS and Sharia's principles can be reconciled. The application of fair value is also seen as a complex issue. Questions are being raised about inadequate IFRS training; and problems of low numbers of business professionals to service industry.

Since the end of the President Suharto era (1967-1998), the Indonesian Government has paid special attention to IFRS harmonization. The major stakeholders to be impacted by IFRS are the Islamic banking and corporate sectors. The Islamic banking sector perceives IFRS creating uncertainties with regard to interpretations of the standards *IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement*. Indonesia's Muslim population (who are the target market for Islamic banking) is about 80% of the 240 million persons. There are about six sharia's banks operating in Indonesia; for example, Bank Syariah Mandiri, Bank Syariah Mega and Bank Syariah Bukopin. Nearly thirty other banks have sharia's banking units; such as, Bank Permata, Bank BNI and HSBC. The accounting standard setter, DSAK, seems to be divided by the sensitive issues of whether IFRS and sharia's principles can be reconciled. Many banks have faced significant challenges implementing IFRS, particularly on the conceptual question of how to implement the 'time-value of money' and 'effective interest rate', as prescribed in *IAS 39 Financial Instruments*. According to this standard, effective interest rate has to be applied, but interest or 'riba' under sharia's law is prohibited. The DSAK has to find a way to comply with sharia's principles. A tripartite effort must be made between practitioners, Bank of Indonesia and Islamic scholars 'to address the interest issue' before the implementation of IFRS. Researchers also commented on tax regulation in association with Islamic principles. It is expected that withholding tax and corporate taxes may create some complications, hence a clear set of rules and regulations are needed. Finally, some researchers predict that adoption of IFRS will impact the cost of reporting and compliance, as many listed companies do not have web sites with financial information. Indonesia's SME companies (around one million) might face high costs of reporting issues in the future if IFRS is adopted. Overall, the problems generated by *IAS 39 Financial Instruments* for interest, taxation requirements in Indonesia and compliance costs, could be difficult to resolves. Institutional theory explains that in these types of situations the myth of compliance with a formal structure (in this case IFRS) becomes decoupled from work practices (the prohibition of interest in sharia's financial transactions).

## IFRS in BANGLADESH

The Institute of Chartered Accountants of Bangladesh (ICAB), which is a supreme body for the development of accounting profession in Bangladesh, has been asking for the adoption and improvement of accounting standards. The ICAB has a program to adopt IAS as Bangladesh Accounting Standards (BAS). It is also mentioned that, most of these BAS are carbon copies of original IASs.

The legal, Regulatory Framework for Financial Reporting and Audit of Corporate Entities in Bangladesh are governed by the Companies Act 1994 and Securities Exchange Rules (SER) 1987. The professional responsibilities and conduct of Chartered Accountants are governed by the Bangladesh Chartered

Accountants Bye-laws 1973. The Companies Act 1994 does not hold any provision for the compulsory observance of the adopted IAS in practice. The Chartered Accountants Bye-laws 1973 have also not been amended to entail compulsory compliance of the adopted standards by ICAB members. Hence in the absence of any broad statutory or professional requirements, the implementation of the adopted IAS/IFRS is regarded as pinpointing of good, standard accounting practices. Despite the adoption of IAS by ICAB, there was no legal enforceability of these standards till the end of 1997. The SER 1987 were amended in 1997, whereby all listed entities are required to comply mandatorily with the requirements of all applicable IAS/IFRS, (as adopted by ICAB), in the preparation and presentation of their Financial Statement (FS); and all audit practices are required to ensure compliance with relevant ISA, (as adopted by the ICAB), in the conduct of and reporting on the audit of FS of listed entities. Hence the IAS and ISA duly adopted by the ICAB as the BAS and BSA, now have a legally enforceable mandatory implementation status for all listed companies in Bangladesh.

The institutional actors involved in the adoption of IASs in Bangladesh include the Government of Bangladesh, the World Bank, Asian Development Bank (ADB) and the Institute of Chartered Accountants of Bangladesh (ICAB). The IASs adoption process was initiated in August 1999 following a USD 2,00,000 World Bank grant to the Bangladesh Government for the development of Accounting and Auditing Standards in Bangladesh. The World Bank's Institutional Development Fund (IDF) grant was targeted at enhancing the institutional capacity of the ICAB for the adoption of IASs in the country. On its part, the ICAB was required to provide the additional USD 20,000 to help accomplish this task. The Government then delegated the process to the Securities and Exchange Commission (SEC) as the main institution responsible for overseeing the process. ICAB is responsible for adopting and implementing International Financial Reporting Standards in Bangladesh and adopted IFRS as Bangladesh Reporting Financial Standards. ICAB has been performing the convergence process of IFRS. It also updates those standards as an ongoing process to enhance comparability and credibility of audited financial information. In the adoption process, an IAS/IFRS is first considered by the Technical and Research Committee (TRC) of the Council ICAB. Thereafter, it is critically reviewed by a nominated sub-committee comprising of one or two members who would undertake a stringent vetting exercise to ensure elimination of any anomalies or inconsistencies and ensure conformity with the requirement of the existing legal regulatory requirements. Based on the recommendations of the Sub-committee and taking into consideration necessary modifications, the TRC then formulates its recommendation to the Council for adoption. Once approved by the Council, it becomes a definitively adopted Bangladesh Financial Reporting Standards (BFRS). With the exception of IAS 29 on Hyperinflation, the ICAB has adopted all the other 28 IAS extent as BAS. ICAB has adopted 12 out of 13 IFRS issued to date by IASB as BFRS. It has also adopted IFRS for SMEs as Bangladesh Financial Reporting Standards (BFRS) for SMEs, with an effective date on or after January 2013. BFRS for SMEs includes all modules except section 31: Financial Reporting in Hyperinflationary Economies. Although the IFRS for SMEs has been adopted by ICAB and made available in Bangladesh, but application and implementation of such standards may not be enforceable, as there are no obligations from any regulatory authority that has jurisdiction over SMEs. The Cabinet of Bangladesh Government approved the Financial Reporting Act-2013 on August 19, 2013 to set up FRC (Financial Reporting Council) for strengthening the monitoring of accounting standards and the accountancy profession. The Institute of Chartered Accountants of Bangladesh (ICAB) has agreed to accept the proposed Financial Reporting Act (FRA), under which Financial Reporting Council (FRC) will be formed to oversee functions of the auditors.

## IFRS in BHUTAN

The Government of Bhutan approved the formation of the Accounting and Auditing Standards Board of Bhutan (AASBB) in July 2010. The AASBB was given the authority to form Bhutanese Accounting and Auditing Standards in line with IFRS. They have publicly made a commitment to move towards single set of high quality global accounting standards. The AASBB has decided to adopt IFRSs and has signed copyright waiver agreement with the IFRS Foundation to adopt IFRSs in a phased manner with the target of adopting it fully by 2021. These will be called as Bhutanese Accounting Standards (BAS). The AASBB expects to release the standards in three phases. In the first phase, 18 standards have been issued and implemented till the end of 2015.

## IFRS in NIGERIA

The accounting profession in Nigeria received a formal reckoning in the mid-1960's (Chibuke 2008). During that period, Nigerian accountants, mostly trained by professional accounting bodies in the United Kingdom came together and formed a professional accounting body that is responsible for the training of accountants in Nigeria and fostering the development of the profession in the country. Presently, however, a number of professional accounting bodies carry out such functions concurrently. These bodies pay much attention to the teaching of technical and practical aspects of accounting.

The two accounting bodies in Nigeria are the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN). They are in essence self-regulating and both membership elect governing council members. There is no separate statutory body for the audit profession. ICAN acts as an examining body for awarding Chartered Accountants Certification and as the licensing authority for members engaged in public auditing practices. Members of ICAN are recognized under the Companies and Allied Matters Act as the sole auditors of company accounts. ICAN is a member of the International Federation of Accountants (IFAC) and has string international foundation and relationship. ICAN members dominate accounting and auditing services in the private sector while ANAN members are mostly employed in the public sector.

In Nigeria, adoption of IFRS was launched in September, 2010, by the Honorable Minster, Federal Ministry of Commerce and Industry, Senator Jubril Martins-Kuye (OFR). The adoption was organized in such a way that all stakeholders could use the IFRS by January 2014. The adoption was scheduled to start with Public Listed Entities and Significant Public Interest Entities who are expected to adopt the IFRS by January 2012. All other Public Interest Entities are expected to mandatorily adopt the IFRS for statutory purposes by January 2013, and Small and Medium-sized Entities shall mandatorily adopt the IFRS by January 2014. It is pertinent to mention here that Nigeria has adopted IFRS since January 1, 2012.

## IFRS in EGYPT

In Egypt, the Ministry of Investment has authority to issue accounting standards. The Egyptian Society of Accountants and Auditors (ESAA) advise the Ministry in this regard. In early 1990s, Egypt has undertaken a privatization programme due to the external pressures from international donors (World Bank and International Monetary Fund). As part of this programme, Egypt adopted IFRS since 1997. A new Capital Market Law No. 95 of 1992 was issued and its Executive Regulations required adherence to IFRS in 1993.

After issuing an official Arabic translation of the standards by the Minister of Economy in 1997, the requirement to apply IFRS became fully mandatory for the first time. The decision of the Egyptian government to mandate an immediate implementation of IFRS allowed neither the listed companies nor the accounting profession adequate time to adapt to the 'new' standards. This results in low or non-compliance with their requirements.

## IFRS in SOUTH AFRICA

South Africa has 14 national accounting and auditing bodies, including the South African Institute of Chartered Accountant (SAICA) and the Institute of Commercial and Financial Accountants of South Africa, which are members of the IFAC. The South Africa Companies Act requires all companies to prepare annual audited financial statements. The South African Companies Act requires that financial statements must conform to generally accepted accounting practice, which is issued by the South African Accounting Practice Board.

The Public Accountants and Auditors Board (PAAB), established by the Public Accountants and Auditors Act, is a statutory body responsible for controlling registered accountants and auditors involved in public practice. Board members are appointed by the Minister of Finance and accounting professionals are nominated by the Provincial Societies of Chartered Accountants, while academicians are nominated by the Committee of University Principals. PAAB reports annually to the Minister of Finance, who then reports to Parliament.

In South Africa, practicing auditor must follow the Code of Professional Ethics issued by the PAAB. Compliance by auditors to requirements of the Code of Professional Ethics is essential to the future welfare of the auditing profession. Like other countries, there have been a number of corporate failures in South Africa in the past decades, which led to concern regarding the professional conduct of auditors.

Since 1956, the PAAB has set the qualifying examination, a pre-requisite for becoming a registered accountant and auditor. To gain necessary practical knowledge before entering into the auditing profession, a candidate spends at least 3 years with a PAAB approved training provider.

SAICA has been adopting IFRS with occasional minor modification since 1995 and listed companies may follow South African GAAP or IFRS. In 1999, South Africa adopted several International Standards, which became effective in 2000, bringing South Africa accounting principles into almost complete harmonization with IFRS.

South Africa was among the first countries in the world to adopt the International Accounting Standard Board's proposed IFRS for Small and Medium sized Entities (SMEs). In 2008, The Statement of GAAP for SMEs was approved. In August 2009, the Accounting Practice Board of South Africa Institute of Chartered Accountants noted to issue the IFRS for SMEs for use immediately. South Africa is the first country in the world to adopt the IFRS for SMEs, which was issued by the IASB in July 2009.

## IFRS in UNITED STATES

Financial Accounting Standard Board (FASB) ignored IASC until 1990s, although these were established in the same time. It was only started when IASC begun to work with IOSCO, body in which the SEC had always a powerful voice. In 1996, the SEC issued a statement that IFRS would need to satisfy the following three criteria in order to be acceptable:

(i) IFRS would need to establish a core set of standards that constituted a comprehensive basis of accounting;

(ii) The standards would need to be of high quality and would enable investors to analyze performance meaningfully both across time periods and among different companies;

(iii) The standards would have to be rigorously interpreted and applied, otherwise comparability and transparency could not be achieved.

The Norwalk Agreement was signed between FASB and IASB in 2002 which resulted into increase in momentum towards the IFRS. It laid down the FASB's and IASB's commitment to the development of compatible and high-quality accounting standards that could be used for both domestic and cross-border financial reporting. After signing this agreement, both the boards started working on the existing differences between U.S. GAAP and IFRS.

A MoU was signed in 2006 between FASB and IASB to reaffirm their shared objective of developing high-quality and common accounting standards that could be used in the capital market of the entire world. This MoU set the specific milestone to be achieved by 2008. Also, they decided to change their original approach to converge the standards that are in need of significant improvements on both sides. An updated MoU was signed in April' 2008 which was released in September' 2008. This updated MoU describes the priorities and milestones related to completion of major joint project by 2011. The Table 3 (in Appendix) describes the agenda.

The process of convergence began with full efforts. But it turned out to be slower and more difficult than expected. Thus, the progress on convergence has been limited and it became visible that it would be very difficult, if not impossible, to replace about 25000 pages of detailed rules, industry interpretations and comprehensive implementation guidance with about 2500 pages of broad and principle based standards. Thus, in 2008, the United States started putting emphasis on conversion approach rather than convergence approach i.e. adoption of IFRS.

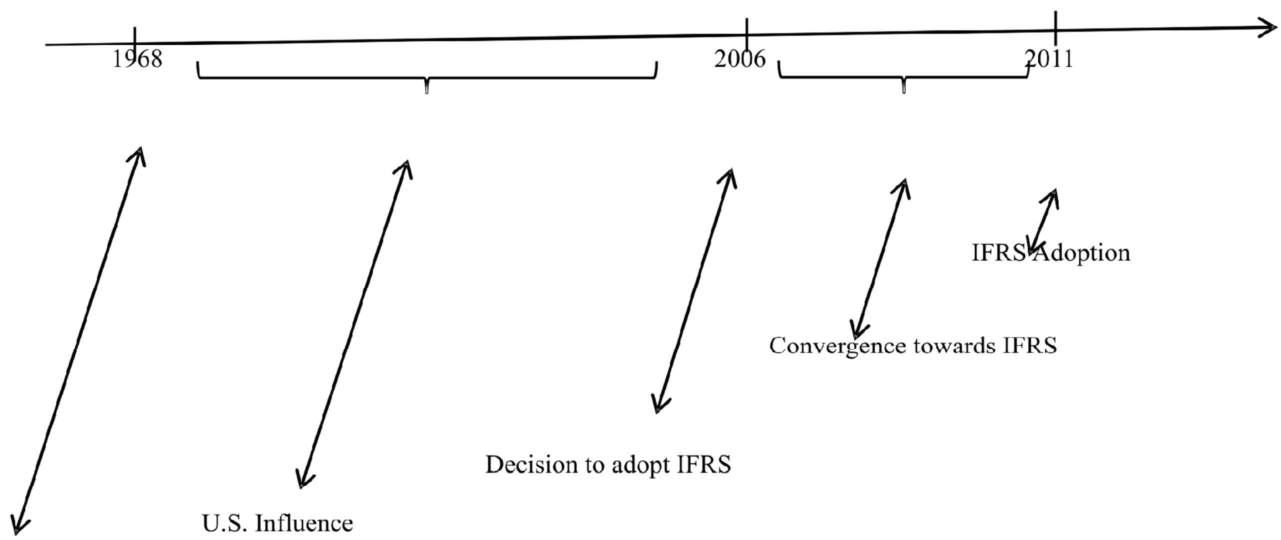
The SEC devised IFRS roadmap 2008 indicated that adoption of IFRS in the United States would be conditional upon achieving progress towards 'milestones' including the following:

- **Improvements in accounting standards**: The SEC will continue to monitor the degree of progress made by the FASB and IASB regarding the development of accounting standards.
- **Accountability and funding of the IASC Foundation (IASCF)**: The IASCF must show indications of securing stable funding that supports the independent functioning of the IASB.
- **Improvement in the use of interactive data of IFRS reporting**: The SEC mandated filings for public companies in eXtensible Business Reporting Language (XBRL) format; the mandate came into effect for the largest 500 U.S. companies for financial disclosures made after June 15, 2009.
- **Education and Training**: The SEC will consider the state of preparedness of U.S. issuers, auditors and users, including the availability of IFRS training and education.

These milestones aimed at improvements in the infrastructure of International Standards settings as well as preparedness of U.S.'s capital market participants. The SEC decoded that it would measure the progress against these milestones in 2011 and based upon the results make a final decision on whether and when to go ahead with adoption of IFRS in the U.S. It also proposed a mandatory use of IFRS beginning with financial year on or after December 15, 2014 for large companies and 2015 for medium companies and 2016 for other companies which it has adhered to.

## IFRS in CANADA

Evolution of Canadian GAAP towards IFRS is shown in below diagram:




Creation of CICA Handbook

Canada is adopting IFRS as issued by the IASB from January 1, 2011by incorporation of IASB IFRS into Canadian GAAP via the CICA Handbook-Accounting.

From 2011, the Handbook will consist of the following parts:

| *Part* | *Standards* |
|---|---|
| Part I | IFRS, issued by IASB |
| Part II | Accounting Standards for Private Enterprises |
| Part III | Accounting Standards for Not-for-Profit Organizations |
| Part IV | Accounting Standards for Pension Plans |

## Publicly Accountable Enterprises in Canada

All publicly accountable enterprises (PAEs) are required to adopt IFRS as issued by the IASB and incorporated into Part I of the Handbook for fiscal years beginning on or after January 1, 2011; early adoption is permitted, but only with the specific regulatory approval from the Canadian Securities Administrators (CSA). A PAE is defined as an entity, other than a not-for-profit organization or a government or other entity in the public sector, that:

(i) is in the process of issuing or has issued, equity or debt instruments that are or will be outstanding and traded in a public market; or

(ii) holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

In their financial statements and accompanying audit report, PAEs may claim compliance with either:

a) IFRS as issued by the IASB; or

b) IFRS as issued by the IASB and Canadian GAAP for PAEs (i.e., IASB IFRS as incorporated into Part I of the Handbook).

PAEs that also are US Securities and Exchange Commission registrants have the option of reporting under either IFRS as issued by IASB beginning on or after January 1, 2011 or to report under US GAAP.

## Private Enterprises in Canada

The IFRS for small and medium-sized enterprises will not be adopted in Canada. Instead, private enterprises must choose between the adoptions of either:

(i) IFRS as issued by IASB; or

(ii) Accounting Standards for private enterprises developed in Canada

The accounting standards for private enterprises developed in Canada largely are based on Canadian GAAP prior to the incorporation of IASB IFRS, and simplify the recognition, measurement and presentation in complex areas (i.e. financial instruments) as well as reduce required disclosures. At this time, there is no plan to align the accounting standards for private enterprises as developed in Canada with IASB IFRS. Private enterprises are required to select their financial reporting framework for fiscal years beginning on or after January 1, 2011; early adoption of their selected framework is permitted.

## Government Entities in Canada

While government entities are excluded from the definition of a PAE, the public sector accounting board also is requiring government business enterprises to adopt IASB IFRS as incorporated into Part I of the Handbook (i.e. the same financial reporting framework as PAEs) for fiscal years beginning on or after January 1, 2011.

## Not-for Profit Organizations in Canada

Not-for-profit organizations may apply either:

a) IFRS as issued by the IASB (as incorporated into Part I of the Handbook); or

b) Part III of the Handbook

Part III of the Handbook largely will be based on previous Canadian GAAP for not-for-profit organizations (i.e. 4400 series of the Handbook) and was issued for comment on March 3, 2010.

## Pension Plans in Canada

Pension plans are required to adopt Part IV of the Handbook section 4600 Pension Plans, which is based on previous Canadian GAAP for pension plans. Pension plans are not permitted to apply IAS 26: Accounting and Reporting by Retirement Benefit Plans.

## Local Accounting Standard Setter in Canada

Accounting standards and guidance for financial accounting and reporting in Canada is developed by the Accounting Standards Board (AcSB). The AcSB is a part of Canadian Institute of Chartered Accountants (CICA). The AcSB is overseen by the Accounting Standards Oversight Council which appoints members to provide input and to assess and report on the performance of the AcSB. The AcSB issues discussion papers and exposure drafts for comment in Canada when they are issued by the IASB. The AcSB may request supplemental input from Canadian respondents on Canadian-specific issues relevant to the discussion paper or exposure draft; such comments are provided to the AcSB while all other comments are sent directly to the IASB with a copy to the AcSB. The AcSB plans to incorporate IASB standards and interpretations shortly after being issued by the IASB into Part I of the Handbook.

The Emerging Issues Committee (EIC) was established by the AcSB in 1988 to review emerging accounting issues that resulted either in divergent or unsatisfactory application in practice in the absence of explicit guidance in Canadian GAAP. As a result of the transition to IFRS, the EIC was disbanded as of April 1, 2010.

The IFRS discussion group was established by the AcSB in 2009 to consider issues arising from the application of IFRS in Canada and to make recommendations on the referral of such issues to either to the IASB or IFRIC for further discussion.

## IFRS in BRAZIL

The move to IFRS in Brazil was started in 2006 when the Brazilian Central Bank (BACEN) required certain financial institutions to present consolidated financial statements in accordance with IFRS by 2010. The Brazilian Securities and Exchange Commission (CVM) then decided in 2007 to require all listed public companies to present consolidated financial statements in accordance with IFRS by 2010. Companies are required to follow IFRS as issued by IASB. However, Brazilian GAAP (BR GAAP) statutory individual financial statements still are required for entities reporting under IFRS for consolidated financial statement purposes.

## Convergence of BR GAAP and IASB IFRS

The Brazilian congress approved in December 2007 a law that allows for the convergence of BR GAAP to IFRS. The law establishes that accounting pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) must be in line with the IFRS issued by the IASB. At present, the CPC has issued, and the regulatory bodies have endorsed, substantially all BR GAAP standards equivalent to IFRS and IFRICs. These BR standards are effective for annual financial statements for periods starting on or after January 1, 2010, with early adoption permitted. As a result, BR GAAP has converged with IASB IFRS.

Therefore, BR GAAP used by the public listed companies and large private enterprises in their financial statements is in accordance with IASB IFRS, except for the application of the equity method in the separate financial statements (parent company financial statements) and for expenditures previously capitalized under the prior version of BR GAAP which will be amortized over their expected useful life, if any (optional temporary difference). In addition, the CPC has imposed some restrictions on the alternative treatments given by IASB IFRS (e.g. revaluation option for property, plant and equipment is not permitted in Brazil, less options at first time adoption). Since the CPC's actions mandate treatments that are permitted by IFRS, these additional requirements do not prevent compliance with IFRS.

## IFRS in ARGENTINA

Consejo Emisor De Normas De Contabilidad Y De Auditoria (CENCYA) is the auditing and accounting standard setting board of the 'Faederacion Argentina De Consejos Profesionales De Ciencias Economicas' (FACPCE). FACPCE is the Federation of Professional Organizations of Economic Sciences in Argentina. CENCYA is responsible for setting accounting standards in Argentina.

Argentina has already adopted IFRSs as on January 1, 2012 for all companies whose securities are publicly traded on the stock exchanges. The CNV (The National Securities Commission, which is an agency of the Argentine Ministry of Economics and Public Finance) declared that all the companies whose securities were publicly traded must prepare their financial statements using IFRSs as issued by IASB on the recommendation of FACPCE in December 2009.

The geography of Argentina consists of 23 Provinces and 1 autonomous city equivalent to a Province viz. Buenos Aires. The Registry of Commerce of each Province determines the use of IFRSs for local statutory purposes. At present, more than 50% Provinces permit the use of IFRSs in their jurisdictions for companies whose securities do not trade in a public market.

The process of issuing a circular in Argentina for adopting an IFRS is as follows:

1. The Director General of CENCYA informs the FACPCE Board as soon as new or amended IFRS (including interpretations) is notifies by IASB.
2. After this, the Director General publishes a summary of the IFRS so notified with an annexure in Spanish language to invite comments from professional bodies and other stakeholders within a period of 30 days. The comments should include the explanations that it must relate only to matters of implementation of the new or amended IFRS in the Argentina.
3. After this, at the end of 30 days period, the CENCYA considers the comments and prepare a draft circular with a serial number. The Director General presents the draft circular to the FACPCE Board at the first Board meeting subsequent to approval of the draft circular by CENCYA.
4. After the approval of FACPCE Board of the circular, it is distributed to the councils of the various member bodies for approval in their jurisdiction. A copy of approved circular is also forwarded to National Securities Commission for processing and incorporation into its rules.

## IFRS in RUSSIA

Russia took the decision of moving towards IFRS in 2002. Under this decision, the listed companies in Russia were required to prepare consolidated Financial Statements using IFRS from 2004. The single company financial statements would continue to be prepared using Russian GAAP. But, there is no progress since 2005 as regards the requirement for listed companies to prepare financial statements (consolidated) under IFRS. The companies are still using Russian GAAP for preparing financial statements.

In the period covering 1992-2004, a number of several Acts by the Ministry of Finance were issued. According to the Program of Accounting System Reform endorsed by the Ministry of Finance in 1994, the transition to International Financial Reporting Standards had to be finished by 2000. Most of the accounting principles such as accrual-basis of accounting, accounting policies, materiality and substance over form appeared to be new for Russian practitioners.

In the period covering 2004-2010, a number of Russian Accounting Standards underwent abrupt changes by the Ministry of Finance in order to bring them in line with International Financial Reporting Standards. In 2004, a part of economic entities of the country was obliged to comply with IFRS. This happened as Central Bank ruled to prepare reporting in compliance with International Financial Reporting Standards for all banking institutions.

In the period covering 2010-2014, some Russian companies started to prepare financial reporting in compliance with IFRS on a voluntary basis but in 2010, the scope of economic entities, obliged to prepare financial reporting, was broadened as the Federal law "On consolidated financial statements" has been endorsed. According to the Federal law only the consolidated statements had to be presented in compliance with International Financial Reporting Standards for such businesses as:

a) Banking institutions;

b) Insurance companies;

c) Listed companies.

According to new provision a listed company is exempted from preparing the consolidated statements in compliance with International Financial Reporting Standards if its publishes the consolidated financial statements with other internationally accepted accounting rules, for instance, US GAAP. These specified companies will have to comply with International Financial Reporting Standards no earlier than 2015.

The Federal law "On consolidated financial statements" had facilitated the development of infrastructure for IFRS implementation into the Russian accounting system. To provide a legislative framework for IFRS in Russia, Ministry of Finance in 2011 issued an order. According to the order 29 International Accounting Standards, 8 International Financial Reporting Standards and 26 Interpretations were enacted by this order. By issuing a special order, the Ministry of Finance delegated the right of official publishing of International Financial Reporting Standards to Russian magazine "Accounting".

During the period under consolidation substantial changes were made to the Federal law "On accounting" as well. The amendments to the Federal law had several consequences for Russian accounting system:

a) New four-level hierarchy of regulatory acts was approved (federal standards, industry-specific standards, recommendations in the field of the accounting, standards of economic entity);

b) The set of financial statements was revised and brought into the line with IFRS and thus starting from 2013 auditor's report was excluded from the set;

c) The obligatory use of standardized by the statistical authorities source accounting documents was cancelled in order to provide IFRS substance over form principle;

d) For small businesses simplified formats of balance sheet and income statements were developed;

e) Several drafts of Russian Accounting standards were developed as well. These drafts included accounting standards concerning leases, revenue, employee benefits, inventories, property, plant and equipment.

Despite the development of infrastructure for IFRS implementation, it is still too far to fully adopt International Financial Reporting Standards into the Russian accounting system. A lot of issues such as the development of Russian Accounting Standards by professional organizations, the remaining differences between Russian Accounting Standards and International Financial Reporting Standards, the prevailing of juridical form over substance preserving in Russian Accounting system and some other problems still have to be solved.

## IFRS in GERMANY

Deutsches Rechnungslegungs Standards Committee (DRSC) is the Accounting Standards Committee of Germany. The objectives of the DRSC are:

1. To develop recommendations for the application of principles for consolidated financial reporting;
2. To provide advice on planned legislation on accounting regulations at national and EU level;
3. To represent the Federal Republic of Germany in international accounting and financial reporting bodies;
4. To develop Interpretations of the international accounting standards within the meaning of section 315a(1) of the Handelsgesetzbuch (HGB-German Commercial Code);
5. To enhance the quality of accounting and financial reporting; and
6. To promote research and education in the above mentioned areas.

Germany has already adopted IFRSs for the consolidated financial statements of all companies whose securities trade in a regulated market. As a member state of the European Union, Germany is subject to the IAS Regulation adopted by the European Union in 2002. The EU IAS Regulation requires application of IFRSs as adopted by the EU for the consolidated financial statements of European companies whose securities trade in a regulated securities market starting in 2005. The EU IAS Regulation gives member states the option to require or permit IFRSs as adopted by the EU in separate company financial statements (statutory accounts) and/or in the financial statements of companies whose securities do not trade on a regulated securities market.

Germany has opted for the use of IFRSs as adopted by the EU for the following:

1. Consolidated financial statements of companies whose debt or equity securities trade in a regulated market and companies in the process of being listed on such a market: mandatory;
2. Consolidated financial statements of unlisted companies and companies listed on public securities markets that are not regulated markets: optional; and
3. Separate financial statements of listed and unlisted companies: not permitted as an option in lieu of national GAAP.

Germany had permitted the use of IASs or US GAAP as of January 1, 1998 for listed groups with a sunset close as of December 31, 2004, which then neatly fitted the EU Regulation putting IFRSs into place as of January 1, 2005. By January 1, 2005, 28 of the DAX 30 had already adopted IFRSs or US GAAP.

## IFRS in France

In France, Auroritedes Normes Compatables (ANC) is the Accounting standards setting authority. ANC is responsible for:

1. Defining general and industry-specific accounting standards, with legal authority for entities subject to legal accounting requirements in accordance with French GAAP;
2. Providing advice on all legislative or regulatory provisions issued by national authorities which contain accounting measures;
3. Issuing position statements on international accounting standards;
4. Fostering and coordinating theoretical and methodological work on accounting issues; and
5. Making all relevant suggestions and recommendations.

France has already adopted IFRSs as a requirement for the consolidated financial statements of all companies whose securities trade in a regulated market and for other companies on a voluntary basis. As a member state of the European Union, France is subject to IAS Regulation adopted by the European Union in 2002. The EU IAS Regulation requires application of IFRSs as adopted by the EU for the consolidated financial statements of European companies whose securities trade in a regulated securities market starting in 2005. The EU IAS Regulation gives member states the option to require or permit IFRSs as adopted by the EU in separate company financial statements (statutory accounts) and/or in the financial statements of companies whose securities do not trade in a regulated securities market. France used the option under IAS Regulation to permit optional application of IFRSs as adopted by the EU for the consolidated accounts of companies that do not trade in a regulated market starting in 2005. However, IFRSs as adopted by the EU are not authorized for individual/statutory accounts for any French companies.

## IFRS in AUSTRALIA

Australia adopted International Financial Reporting Standards (IFRS) from January 1, 2005. IFRSs were adopted by incorporating them into national GAAP for all entities, not just listed entities. The local accounting standard setter in Australia is the Australian Accounting Standards Board (AASB). The AASB is an Australian Government agency under the Australian Securities and Investments Commission Act 2001. Under the Act, the statutory functions of the AASB are:

a) To develop a conceptual framework for the purpose of evaluating proposed standards;
b) To make accounting standards under section 334 of the Corporations Act 2001;
c) To formulate accounting standards for other purposes;
d) To participate in and contribute to the development of a single accounting standards for worldwide use; and
e) To advance and promote the main objects of Part 12 of the ASIC Act, which include reducing the cost of capital, enabling Australian entities to compete effectively overseas and maintaining investors' confidence in the Australian economy.

Australian Accounting Standards apply to:

a) Entities required by the Corporations Act 2001 to prepare financial reports;

b) Government in preparing financial statements for the whole of government and the General Government Sector (GGS); and

c) Entities in the private or public for-profit or not-for-profit sectors that are reporting entities (as defined by Australian Accounting Standards) or that prepare general purpose financial statements.

The AASB has issued 'Australian equivalent to IFRS' (Australian Accounting Standards), numbering IFRS standards as AASB 1-8 and IAS standards as AASB 101-141. Australian equivalents to SIC and IFRS interpretations (IFRIC) also have been issued, along with a number of 'domestic' standards and interpretations. The AASB modifies IASB pronouncements in compiling Australian Accounting Standards only to introduce additional disclosures or implement requirements for not-for-profit entities, rather than departing from IFRS. A current project is likely to reduce the level of additional disclosures. The AASB mirrors changes made by the IASB as local pronouncements without any time lag in effective dates, although most Australian companies have a June 30th balance sheet, which results in adopting standards six months later than they are adopted in the northern hemisphere. Accordingly, for-profit entities that prepare financial statements in accordance with Australian Accounting Standards are generally able to make an unreserved statement of compliance with IFRS unless an Australian-specific interpretation is applied.

### IFRS for SMEs

The IFRS for SMEs which was issued in July 2009 by the IASB cannot be applied in Australia currently. However, the AASB is currently considering how it fits into the Australian framework for financial reporting.

### Local Accounting Standard Setter

Issues on the IASB work program and the IFRS Interpretations Committee work program also are included on the AASB work program, although the degree of involvement by the AASB varies issue-by-issue. When an issue has been added to the agenda, the AASB will discuss agenda papers developed and presented by AASB staff. The agenda papers address the scope of issues, alternative approaches and timing of outputs. They may draw upon relevant material from other standard setters, including the IASB, International Public Sector Accounting Standards Board (IPSASB) and the New Zealand Financial Reporting Standards Board (FRSB) or from other organizations. Most issues are considered jointly with the FRSB where they are of significance in both countries, in order to develop comparable requirements.

### Implementation and Compliance

The AASB monitors implementation of accounting standards and interpretations in Australia through feedback mechanisms with several regulatory organizations including the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA). This may lead to revisions to domestic AASB standards or to submissions to the IASB or the IPSASB to propose changes to international standards.

## CONCLUSION

This study examines implementing IFRS/Ind AS by various countries across the globe. A large portion of our study indicated that IFRS-based financial statements will be used not only for external reporting but also for internal decision-making and performance measurement processes in the parent and subsidiaries. This approach to adopting IFRS may prompt an integration of financial accounting and management accounting practice across the globe or even lead to an external reporting/financial accounting domination of internal reporting/management accounting. The impact of implementing IFRS on the financial statements is significant. Most research papers studied believe that the change in accounting and reporting under IFRS, including the robust disclosure requirements, should improve comparability among companies and improve financial transparency. The stated benefits of the change, such as a lower cost of capital or improved quality and timeliness of management information, are questioned by many. Several important decisions within companies, including profit distribution policy and tax strategies, will still be based on individual accounts prepared in accordance with national accounting standards. There is a general consensus that transition to IFRS is costly, complex and burdensome process. The lack of implementation guidance and differences in interpretation of IFRS are other obstacles to accounting convergence. The consensus view is that a lack of adequate education, training and knowledge of IFRS are the major challenges of conversion. A training program for staff across a company is needed to let them adopt an entirely different system of business operations, performance measurement and communication with the markets. This training will be an ongoing exercise since IFRS is a moving target. Audit firms play the crucial role in this training program. The involvement of auditors is so significant that they run the risk of becoming heavily involved in preparing the financial statements they are required to audit. This is mainly caused by the complexities of IFRS where many entities, especially smaller listed entities, lack sufficient expertise.

Thus, we may conclude that most of the major countries of the world have either adopted IFRS or has started the process of adopting IFRS. This should act as a lesson to those countries that have not yet looked upon these accounting standards with seriousness.

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## APPENDIX

**Table 1**
**Current Indian non-converged ASs with the corresponding number of the relevant IAS/IFRS**

| *Indian Accounting Standards* | | *IAS/IFRS* | |
|---|---|---|---|
| *AS No.* | *Name of Standard* | *IAS/IFRS No.* | *Name of Standard* |
| AS 1 | Disclosure of Accounting Policies | IAS 1 | Presentation of Financial Statements |
| AS 2 | Valuation of Inventories | IAS 2 | Inventories |
| AS 3 | Cash Flow Statements | IAS 7 | Statement of Cash Flows |
| AS 4 | Contingencies & Events Occurring after Balance Sheet Date | IAS 10 | Events after the Reporting Period |
| AS 5 | Net Profit or Loss for the period, Prior Period Items & Changes in Accounting Policies | IAS 8 | Accounting Polices, Changes in Accounting Estimates and Errors |
| AS 6 | Depreciation Accounting | No equivalent standard. Included in IAS 16 | |
| AS 7 | Construction Contracts | IAS 11 | Construction Contracts |
| AS 9 | Revenue Recognition | IAS 18 | Revenue |
| AS 10 | Accounting for Fixed Assets | IAS 16 | Property, Plant & Equipment |
| AS 11 | Effects of Changes in Foreign Exchange Rates | IAS 21 | Effects of Changes in Foreign Exchange Rates |
| AS 12 | Accounting for Government Grants | IAS 20 | Accounting for Government Grants & Disclosure of Government Assistance |
| AS 13 | Accounting for Investments (will be superseded once AS 30 is effective) | | Mainly dealt within IAS 39/IFRS 9 |
| AS 14 | Accounting for Amalgamations | IFRS 3 | Business Combination |
| AS 15 | Employee Benefits | IAS 19 | Employee Benefits |
| AS 16 | Borrowing Costs | IAS 23 | Borrowing Costs |
| AS 17 | Segment Reporting | IFRS 8 | Operating Segments |
| AS 18 | Related Party Disclosures | IAS 24 | Related Party Disclosures |
| AS 19 | Leases | IAS 17 | Leases |
| AS 20 | Earnings Per Share | IAS 33 | Earnings Per Share |
| AS 21 | Consolidated Financial Statements | IAS 27 | Consolidated & Separate Financial Statements |
| AS 22 | Accounting for Taxes on Income | IAS 12 | Income Taxes |
| AS 23 | Accounting for Investments in Associates in Consolidated Financial Statements | IAS 28 | Investments in Associates |
| AS 24 | Discontinuing Operations | IFRS 5 | Non-Current Assets Held for Sale and Discontinued Operations |
| AS 25 | Interim Financial Reporting | IAS 34 | Interim Financial Reporting |
| AS 26 | Intangible Assets | IAS 38 | Intangible Assets |
| AS 27 | Financial Reporting of Interests in Joint Ventures | IAS 31 | Interests in Joint Ventures |

*contd. table 1*

| *AS No.* | *Name of Standard* | *IAS/IFRS No.* | *Name of Standard* |
|---|---|---|---|
| AS 28 | Impairment of Assets | IAS 36 | Impairment of Assets |
| AS 29 | Provisions, Contingent Liabilities & Contingent Assets | IAS 37 | Provisions, Contingent Liabilities & Contingent Assets |
| AS 30 | Financial Instruments: Recognition & Measurement | IAS 39IFRS 9 | Financial Instruments: Recognition & Measurement |
| AS 31 | Financial Instruments: Presentation | IAS 32 | Financial Instruments: Presentation |
| AS 32 | Financial Instruments: Disclosure | IFRS 7 | Financial Instruments: Disclosure |

*Source:* www.icai.org

**Table 2**
**Ind ASs with the corresponding and matching IFRS/IAS**

| | *Ind AS* | *Corresponding IFRS/IAS* |
|---|---|---|
| *Reference No* | *Title* | |
| Ind AS 1 | Presentation of financial statements | IAS 1 |
| Ind AS 2 | Inventories | IAS 2 |
| Ind AS 7 | Statement of Cash Flows | IAS 7 |
| Ind AS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | IAS 8 |
| Ind AS 10 | Events After the Reporting Period | IAS 10 |
| Ind AS 12 | Income Taxes | IAS 12 |
| Ind AS 16 | Property, Plant & Equipment | IAS 16 |
| Ind AS 17 | Leases | IAS 17 |
| Ind AS 19 | Employee Benefits | IAS 19 |
| Ind AS 20 | Accounting for Government Grants & Disclosure of Government Assistance | IAS 20 |
| Ind AS 21 | The Effects of Changes in Foreign Exchange Rates | IAS 21 |
| Ind AS 23 | Borrowing Costs | IAS 23 |
| Ind AS 24 | Related Party Disclosures | IAS 24 |
| Ind AS 27 | Separate Financial Statements | IAS 27 |
| Ind AS 28 | Investments in Associates and joint ventures | IAS 28 |
| Ind AS 29 | Financial Reporting in Hyperinflationary Economies | IAS 29 |
| Ind AS 32 | Financial Instruments : Presentation | IAS 32 |
| Ind AS 33 | Earnings Per Share | IAS 33 |
| Ind AS 34 | Interim Financial Reporting | IAS 34 |
| Ind AS 36 | Impairment of Assets | IAS 36 |
| Ind AS 37 | Provisions, Contingent Liabilities and Contingent Assets | IAS 37 |
| Ind AS 38 | Intangible Assets | IAS 38 |
| Ind AS 40 | Investment Property | IAS 40 |
| Ind AS 41 | Agriculture | IAS 41 |

*contd. table 2*

| Reference No | Title | |
|---|---|---|
| Ind AS 101 | First-time Adoption of Indian Accounting Standards | IFRS 1 |
| Ind AS 102 | Share-based Payment | IFRS 2 |
| Ind AS 103 | Business Combinations | IFRS 3 |
| Ind AS 104 | Insurance Contracts | IFRS 4 |
| Ind AS 105 | Non-Current Assets Held for Sale and Discontinued Operations | IFRS 5 |
| Ind AS 106 | Exploration for and Evaluation of Mineral Resources | IFRS 6 |
| Ind AS 107 | Financial Instruments : Disclosures | IFRS 7 |
| Ind AS 108 | Operating Segments | IFRS 8 |
| Ind AS 109 | Financial Instruments | IFRS 9 |
| Ind AS 110 | Consolidated Financial Statements | IFRS 10 |
| Ind AS 111 | Joint arrangements | IFRS 11 |
| Ind AS 112 | Disclosure of interest in other entities | IFRS 12 |
| Ind AS 113 | Fair value measurement | IFRS 13 |
| Ind AS 114 | Regulatory deferral accounts | IFRS 14 |
| Ind AS 115 | Revenue from contracts with customers | IFRS 15 |

*Source: www.icai.org.in*

**Table 3**
**Objectives of Convergence**

| Topic | Objectives of Convergence |
|---|---|
| Financial Statement Presentation | To devise a new format for financial statements. |
| Revenue Recognition | To develop revenue recognition standards which companies can use consistently across transactions and industries. |
| Leases | To assure that assets and liabilities arising out of lease contracts are recognized in the statement of financial positions. |
| Financial Instruments | To simplify hedge accounting. |
| Liabilities & Equity distinctions | To reach at a consensus on a preferred model. |
| Consolidations Policy & Procedure | To improve Financial Reporting by enterprises involved with variable interest entities and to reconsider consolidation guidance for voting interest entities. |
| Fair Value Measurement | IASB: to develop guidance similar to FAS 157.FASB: to improve disclosure about fair value measurements and to review FAS 157 in light of IASB's deliberations. |
| De-recognition | To develop a common standard. |
| Post-employment benefits (including pensions) | To place the full obligation on Balance Sheet and re-examine measurement. |