Learn the simplest Global GAAP IFRS –Become Global Accounting Professional

By

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"My mission is to empower each Chartered Accountant, each CA student, bring about radical changes in the policymaking, and help India become the number one economy in the world because I believe we are worth it."

Rapid globalization and integration of trade, commerce and economies worldwide, has obviated the need to follow homogeneity in the reporting standards of the financial sector so as to facilitate comparison, universality, removal of redundancy, comprehensiveness etc. In rise of changing business models and different accounting policies across the globe **International Financial Reporting Standards** (**IFRS**) have taken birth as a common global language for business affairs so as to ensure that financial reports are understandable and comparable across international boundaries. They are a consequence of growing international shareholding and trade and are particularly important for companies that have dealings in several countries. Approximately 140 nations and reporting jurisdictions permit or require IFRS for domestic listed companies. The IFRS Foundation is a not-for-profit, public interest organization established to develop a single set of high-quality, understandable, enforceable and globally accepted accounting standards—IFRS Standards—and to promote and facilitate adoption of the standards. IFRS Standards are set by the IFRS Foundation's standard-setting body, the International Accounting Standards Board.

IFRS Foundation (www.ifrs.org) charitable entity registered in USA and having office at London spends Rs 300 crores every year in making global gap.

Income comes from three main sources:

- voluntary contributions from jurisdictions around the world,
- voluntary contributions and license fees from international accounting firms and self-generated income from the sale of subscription services,
- publications and licensing of our intellectual property

IFRS also follows Luca Pacioli Italian mathematician principles

Luca Pacioli introduced **the use of journals and ledgers** in accounting systems and warned that the accountant must not sleep until the debits are equaled to credits. The ledgers he introduced were based on assets receivables and inventories, liabilities, capital, expenditure and income accounts.

Golden Rules of Accounting

- Debit the receiver, credit the giver.
- Debit what comes in, credit what goes out.
- Debit all expenses and losses and credit all incomes and gains.

Standards deals with FOUR aspects –recognition, measurement, presentation & disclosure

Elements of financial statements – FIVE

Three in Balance sheet/statement of financial position – assets, liabilities & equity

Two Elements in profit & loss account or statement of income & expenditure – Income & Expenses

Opportunities for Chartered Accountants in IFRS

Knowledge of IFRS can open following opportunities for Chartered Accountants

1. Consultancy Service – An in-depth understanding of the concept of International Financial Reporting Standards is sure to offer a great deal of scope in offering consultancy services in accounting.
2. Advisory Roles – Expertise in the field of IFRS accounting offers scope, at first, for senior advisory roles in organizations which are fairly new to the IFRS convergence, and in assisting them with compliance subsequently. Experienced IFRS professional can also act as advisors to the regulatory boards and standard setting bodies in the world.

3. Opinion – Offering opinion on the concept and principles of Accounting under IFRS. Given the multifarious issues related to IFRS, offering clarity on their application becomes as essential function.
4. Convergence – Many countries in world, including India, are at different stages of adoption or conversion to IFRS. Even though principles of accountancy for most are same, the process calls for professional help. Therefore, knowledge of IFRS can provide an opportunity as conversion expert.
5. Gauging Impact of Conversion: Being an IFRS expert, one can help in doing impact analysis for conversion to IFRS. With expertise and experience one can also offer services to the regulators before they plan to adopt IFRS. In many countries like India, instead of full conversion to IFRS it is more apt to adopt the IFRS with few carve-ins and carve-outs for easier transition. In such case, systematic analysis of each convergent principle becomes all the more important.
6. IFRS Compliance – Compliance with IFRS standards becomes an essential requirement for organizations once the convergence begins in more countries. Be it adhering to the basic standards or application of complex principles for proper accounting, the key word is compliance.
7. Preparation of Financial Statements – Preparation of Financial Statements in tune with the IFRS requirement certainly poses a serious challenge and hence IFRS compliant accounting services gain momentum.
8. Internal Audit of Companies following IFRS: to conduct internal audit in case of large corporate today, be it India or abroad, it is utmost important to be aware of IFRS provisions.

9. IFRS Updates – Development of standards in a phased manner ensures every emerging issue is addressed to avoid ambiguities in compliance, which means

newer standards and additional compliance. Hence it becomes critically important for a Chartered Accountant to keep himself abreast of the changes in IFRS standards and their compliance requirement.

10. Training – Having said IFRS compliance is a key requirement for better compliance, not only the auditors but even the preparers of accounts should be aware of the IFRS requirements. Those who were hitherto experts in compliance of accounting standards need to update themselves with the latest requirements. Who can better train them than the auditor himself? Training amounts to not just a professional opportunity, it also simplifies the process of compliance.
11. Professional services in banking and insurance sector
12. Content Development: IFRS being new development in many countries, there is huge demand for IFRS books and online content. Professionals with good writing ability and conceptual understanding of IFRS can explore an opportunity in it.

The reason why IFRS is going to be the next big thing in India is because of the below-given reasons[1]

(1) High IFRS Reporting Professionals Demand

The first phase of IFRS implementation in India targeted companies listed in the stock exchange and with assets worth Rs. 1000 crores. The numbers of companies in this category are hardly 300 in total.

However, in the second and subsequent phases of IFRS implementation, mid-level and small-level companies will be roped in and as such, the need for IFRS professionals will rise steeply.

[1] Scope Of IFRS: Is It An Excellent Career Option?

(1) International Skills

Finance professionals entering the field at this time will have an advantage over others because there are not many accounting professionals with practical and expert knowledge of international accounting standards.

Having IFRS reporting skills will elevate your status in the high growth and demanding world of IFRS professionals.

(2) India & Abroad

Apart from India, 100+ countries have received permission to implement IFRS standards. Therefore, by being IFRS qualified, you are eligible to apply and work in these 100+ countries.

(3) Operational Hazards

The IFRS is not simply about learning to transfer old accounts into the newly acceptable international accounting standards. IFRS is complex and difficult for any accounting professional without IFRS expertise.

Moreover, the IFRS guidelines are continuously amended and companies have to follow the amendments. Therefore, the demand for IFRS experts rises significantly. These four reasons are why you should purpose IFRS learning now.

Need for Global Standards

Globalization has made global standards indispensable. Modern economies rely on cross-border transactions and the free flow of international capital. More than a third of all financial transactions occur across borders, and that number is expected to grow.Investors seek diversification and investment opportunities across the world, while companies raise capital, undertake transactions or have international operations and subsidiaries in multiple countries. In the past, such cross-border activities were complicated by different countries maintaining their own sets of national accounting standards. This patchwork of accounting requirements often added cost, complexity and ultimately risk both to companies preparing financial statements and investors and others using those financial statements to make economic decisions. Applying national accounting standards meant amounts reported in financial statements might be calculated on a different basis. Unpicking this complexity involved studying the minutiae of national accounting standards, because even a small difference in requirements could have a major impact on a company's reported financial performance and financial position—for example, a company may recognize profits under one set of national accounting standards and losses under another.

Benefit of Adopting IFRS

- IFRS Standards bring ***transparency*** by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions.
- IFRS Standards strengthen ***accountability*** by reducing the information gap between the providers of capital and the people to whom they have entrusted their money. Our Standards provide information needed to hold management to account. As a source of globally comparable information, IFRS Standards are also of vital importance to regulators around the world.
- IFRS Standards contribute to economic ***efficiency*** by helping investors to identify opportunities and risks across the world, thus improving capital allocation. Use of a single, trusted accounting language lowers the cost of capital and reduces international reporting costs for businesses.

History of IFRS

The International Accounting Standards Committee (IASC) was established in June 1973 by accountancy bodies representing ten countries. It devised and published International Accounting Standards (IAS), interpretations and a conceptual framework. These were looked to by many national accounting standard-setters in developing national standards. In 2001 the International Accounting Standards Board (IASB) replaced the IASC with a remit to bring about convergence between national accounting standards through the development of global accounting standards. During its first meeting the new Board adopted existing IAS and Standing Interpretations Committee standards (SICs). The IASB has continued to develop standards calling the new standards "International Financial Reporting Standards" (IFRS).

Ever since, in 2002 the European Union (EU) agreed that, from 1 January 2005, International Financial Reporting Standards would apply for the consolidated accounts of the EU listed companies, bringing about the introduction of IFRS to many large entities. Other countries have since followed the lead of the EU.

IFRS vs. US GAAP

Despite the announcement of a programme known as the Norwalk Agreement by the Financial Accounting Standards Board (FASB), aimed at eliminating differences between IFRS and US GAAP, US Generally Accepted Accounting Principles remains separate from IFRS. The Securities Exchange Committee (SEC) still requires the use of US GAAP by domestic companies with listed securities and does not permit them to use IFRS as IFRS is considered more as principles-based, as opposed to a rules-based approach, having more instruction in the application of standards to specific examples and industries in US GAAP. Beside, USA, US GAAP is also used by some companies in Japan and the rest of the world.

IFRS in India

Evaluating the benefits of IFRS, it was all the more significant for a developing country like India to adopt it as earliest so as to ensure positive sentiments and faith and credibility in the Indian Market of the investors globally. India made a commitment towards the convergence of Indian accounting standards with IFRS at the G20 summit in 2009. In line with this, the Ministry of Corporate Affairs, Government of India (MCA) previously issued a roadmap for implementation of Indian Accounting Standards (Ind ASs) converged with International Financial Reporting Standards (IFRS) beginning April 2011. However, this plan was suspended due to unresolved tax and other issues.

In the presentation of the Union Budget 2014–15, the Honourable Minister for Finance, Corporate Affairs and Information and Broadcasting proposed the adoption of Ind ASs. The Minister clarified that the respective regulators will separately notify the date of implementation for banks and insurance companies. Also, standards for tax computation would be notified separately. In accordance with the Budget statement, the MCA has notified Company (Indian Accounting Standard) Rules 2015 vide its G.S.R 111 (E) dated 16 February 2015. Accordingly, it has notified 39 Ind ASs and has laid down an Ind ASs transition road map for companies other than banking companies, insurance companies and non- banking finance companies. Keeping in tune, on 29 September 2015, Reserve Bank of India through its Fourth Bi-monthly Monetary Policy Statement, 2015-16 informed the stakeholders that it has recommended to the MCA a road map for the implementation of Ind ASs for banks, insurance companies and Non Banking Financial Companies (NBFC) from 2018-19 onwards. Besides, 39 Ind ASs notified under the Companies (Indian Accounting Standards) Rules, 2015, MCA has also issued Companies (Indian Accounting Standards) (Amendment) Rules, 2016, which contains two more Standards viz. Ind AS 18, and Ind AS 11 which it proposes to make applicable in place of Ind AS 115.Ever since amendments have been made every year, latest being on 18th June, 2021. Accounting Standards Board of ICAI, has also issued a Conceptual Framework under Indian Accounting Standards.

List of Standards issued by IFRS

The Standards issued by the IASB are called IFRS whereas those issued by the predecessor body, IASC, which are called International Accounting Standards (IAS). These IAS were issued by the IASC between 1973 and 2001. Both IAS and the IFRS continue to be in force. There is also an IFRS Interpretations Committee (Interpretations Committee) is the interpretative body of the IASB. The Interpretations Committee works with the Board in supporting the application of IFRS Standards. The interpretation issued by it is called IFRIC. It replaces the earlier Standards Interpretation Committee that had issued interpretations referred to as SIC. Both IFRIC and SIC continue to be in force.

Presently IFRS literature consists of:

- Conceptual Framework for Financial Reporting
- 16 IFRS
- 25 IAS
- 15 IFRIC and
- 5 SIC

Standard No.	**Standard Title**
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 5	Non-current Assets Held for Sale and Discontinue Operations
IFRS 6	Exploration and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 16	Property, Plant, and Equipment
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Separate Financial Statements

IAS 28	Investments in Associates and Joint Ventures
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 32	Financial Instruments: Presentation
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities, and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture

Presently 15 IFRIC and 5 SIC are operational:

IFRIC 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities

IFRIC 2: Members' Shares in Co-operative Entities and Similar Instruments

IFRIC 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IFRIC 6: Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment

IFRIC 7: Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

IFRIC 10: Interim Financial Reporting and Impairment

IFRIC 12: Service Concession Arrangements

IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 16: Hedges of a Net Investment in a Foreign Operation

IFRIC 17: Distributions of Non-cash Assets to Owners

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine

IFRIC 21: Levies

IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 23: Uncertainty over Income Tax Treatments

SIC-7: Introduction of the Euro

SIC-10: Government Assistance - No Specific Relation to Operating Activities

SIC-25: Income Taxes—Changes in the Tax Status of an Entity or its Shareholders

SIC-29: Service Concession Arrangements: Disclosures

SIC 32: Intangible Assets - Web Site Costs

How to Learn IFRS

Being able to comprehend IFRS, can open the door of new international opportunities for Indian Accounting Professionals as IFRS are now being followed in more than 140 nations around the globe. Initially idea of grasping a whole new set of accounting standards may sound tedious or unappealing, but actually it is not so. This is because the basic accounting concepts, elements, assumptions, purpose and principles are similar to Indian GAAP. It just emphasizes on more extensive disclosures to bring greater transparency. Moreover, unlike US GAAP, IFRS are more principle based and thus easier to apply for any one with strong understanding of basic principles of accounting.

Learning IFRS will never be an issue for an accountant familiar with basic concept of accounting if the study is planned properly in a step by step manner like:

1. Learn the basic structure of IFRS

2. Read the Framework
3. Get some knowledge about individual standards
4. Develop your knowledge and be up-to-date

Classification of the Standards for the purpose of study

The above stated IFRS literature can be divided into following groups:

Presentation and Disclosure Standards

IAS 1: Presentation of Financial Statements

IAS 7: Statement of Cash Flows

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors

IAS 24: Related Party Disclosures

IAS 10: Events after the Reporting Period

IAS 33: Earnings per Share

IAS 34: Interim Financial Reporting

IFRS 8: Operating Segments

Standards relating to Asset

- IAS 2: Inventories
- IAS 16: Property, Plant, and Equipment
- IAS 36: Impairment of Assets
- IAS 38: Intangible Assets
- IAS 40: Investment Property
- IFRS 5: Non-current Assets Held for Sale and Discontinue Operations
- IFRS 16: Leases

Standards dealing with Group Entities

- IAS 27: Separate Financial Statements
- IAS 28: Investments in Associates and Joint Ventures
- IFRS 3: Business Combinations

- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities

Standards dealing withFinancial Instruments

- IAS 32:Financial Instruments: Presentation
- IAS 39: Financial Instruments: Recognition and Measurement
- IFRS 7: Financial Instruments: Disclosures
- IFRS 9: Financial Instruments

Standards dealing with Expenses and Liabilities

- IAS 12***:*** Income Taxes
- IAS 19: Employee Benefits
- IAS 21: The Effects of Changes in Foreign Exchange Rates
- IAS 23: Borrowing Costs
- IAS 26: Accounting and Reporting by Retirement Benefit Plans
- IAS 37: Provisions, Contingent Liabilities, and Contingent Assets
- IFRS 2: Share-based Payment

Standards dealing with Income and Revenue

- IAS11: Construction Contracts
- IAS 18:Revenue
- IAS 20: Accounting for Government Grants and Disclosure of Government Assistance
- IFRS 15: Revenue from Contracts with Customers

Industry Specific Standards

- IAS 41: Agriculture
- IFRS 5: Exploration and Evaluation of Mineral Resources
- IFRS 17: Insurance Contracts

Other Standards

- IAS 29: Financial Reporting in Hyperinflationary Economies
- IFRS1: First-time Adoption of International Financial Reporting Standards
- IFRS 13: Fair Value Measurement
- IFRS 14: Regulatory Deferral Accounts

Components of Financial Statements under IFRS

A complete set of financial statements prepared in compliance with the IFRS would ideally comprise of the following:

- A statement of financial position as at the end of the period
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period
- a statement of cash flows for the period
- notes, comprising significant accounting policies and other explanatory information
- comparative information in respect of the preceding period;
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements

IAS 1 dealing with the Presentation of Financial Statements permits use of titles for the statements other than those used above. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'. An entity may present a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections.

Purpose of Financial Statements

Financial statements are a structured representation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. Financial statements also show the results of the management's stewardship of the resources entrusted to it. To meet this objective, financial statements provide information about an entity's: assets; liabilities; equity; income and expenses, including gains and losses; contributions by and distributions to owners in their capacity as owners; and cash flows.

General Features of Financial Statements

Fair presentation and compliance with IFRSs: Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation**.**

An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs.

An entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material.

In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements, the entity shall depart from that requirement by giving proper disclosures, if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.

When an entity has departed from a requirement of an IFRS in a prior period, and that departure affects the amounts recognized in the financial statements for the current period**.**

Going Concern: When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements 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. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

Accrual basis of accounting: An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.

Materiality and aggregation: An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.

Offsetting: An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an IFRS.

Frequency of reporting: An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

- The reason for using a longer or shorter period, and
- The fact that amounts presented in the financial statements are not entirely comparable.

Comparative information: Except when IFRSs permit or require otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements. An entity shall present, as a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity, and related notes.

Change in accounting policy, retrospective restatement or reclassification

An entity shall present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements if:

- it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and

- The retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

If an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the preceding period):

- The nature of the reclassification;
- The amount of each item or class of items that is reclassified; and
- The reason for the reclassification

Consistency of presentation

An entity shall retain the presentation and classification of items in the financial statements 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
- An IFRS requires a change in presentation.

Conclusion:

Learning IFRS will indeed enable professionals like chartered accountants to have global opportunity.

Our financial expertise equipped with IFRS certification adds more value to the services as with the added knowledge of International accounting method and will take you at the par with global financial expert.