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RESEARCH ARTICLE

IFRS CONVERGENCE IN INDIA: A CONCEPTUAL STUDY OF JOURNEY

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ABSTRACT

In the present era of globalization, the world has become an economic village. The globalization of the business world as well as the development of e-commerce creates the necessity of global accounting language. A number of multi-national companies are establishing their businesses in various countries with emerging economies. Different accounting framework and guidelines for different countries has created confusion for users of financial statements. Thus, this conceptual paper supports the case for a single set of globally accepted accounting standards. India, being an emerging economy calls for convergence of Indian accounting standards with International Financial Reporting Standards. An attempt has been made to assess the challenges and opportunities entrusted with IFRS convergence. Comparison of Indian Accounting Standards and IFRS has been done to estimate the quantum of effort required in convergence process.

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1. Introduction Harmonization of Accounting Standards

With rapid globalization, international boundaries have vanished for the purpose of international trade, commerce and capital market. India is ranking at third place after United States and China on the basis of Gross Domestic product, 2012 on the basis of Purchasing Power Parity (World Development Indicators, 1 July 2013) and has been ranked at 20th place in world merchandise trade, 2010 (World Trade Organization). In 2010 India's export & import of world merchandise trade summed to 220 billion dollars and 327 billion dollars respectively (World Trade Organization). In 2011-12 World Economic Forum came out with The Global Competitiveness Report 2011-12 which includes Global Competitive Index (GCI) for countries based on their business culture, GCI Index gives ranking to the countries based on 12 variables like quality of institutions, labor market efficiency, financial market development, infrastructure etc. India ranks 56th out of 142 economies in the year 2011-12. India is an integral part of the globalized economy, being one of the fastest emerging economies of the world. Advanced telecommunication system has increased communication among the countries; free trade and outsourcing have opened up many business opportunities for new and existing business. Due to advanced technology it is now possible to own a business in one country and do business in another part of the globe. This new type of business opportunities mandates the requirement of understanding of the accounting practices across the globe. To survive with the forces of globalization, it is necessary that India should match up with the international standards in all respects be it, infrastructure, intellectual capital or international reporting. This builds a strong case for India to match itself with the international reporting practices, which creates the necessity to study the challenges opportunities of implementing International Financial reporting Standards (IFRS). According to World Investment Report 2009 there were 82000 multinational corporations with over 8 lakh affiliates across the globe. Each affiliate accounting statements are prepared according to the local accounting standards and then consolidated financial statements are prepared according to the accounting standards of the parent company , which creates considerable amount of confusion for the readers and users of the financial statements. Unfortunately India has been hit by the accounting frauds like Satyam which has not only tarnished the image of India worldwide and also investors have lost the confidence on the accounting statements. It would be worthwhile to quote here that not only India but worldwide economy has been victim of accounting frauds like Enron and Lehman Brothers. To boost and maintain the confidence of investors it becomes the responsibility of accounting community to adopt common language of accounting

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worldwide which ensures quality disclosure and transparency. Rapid globalization, cross border transactions, international mergers and acquisitions, foreign investors and existences of multinational corporations builds a strong case for harmonization of accounting practices worldwide. Thus it is necessary to implement sound and transparent financial reporting structure to ensure the economic wellbeing, relevance completeness, understandability, reliability, timeliness, neutrality, consistency and comparability of accounting information. IFRS is a single set of accounting standards that corporate sectors adopt to prepare and communicate financial information to the stakeholders across the world.

Among the finance and accounting fraternity International Financial Reporting Standards are considered as the global standards which every country should adopt. At present more than 140 countries have adopted or decided to adopt these standards (Patro *et al*). India was supposed to adopt them from 1st April 2011 but the decision was reversed and the implementation is awaited, while there are many corporates in India voluntarily preparing their financial statements as per IFRS like Wipro, Infosys, DrReddys, Dabur and many more.

2.Theoretical Framework

With more and more multinational corporations there is an agency conflict. Companies are owned by shareholders while they are being managed by the directors and the management team who may be the part owners of the company or they may not be the owners of the company. Divorce between ownership and management gives importance to Theory of Agency. Jensen & Mecking (1976) states that the principal agent theory posits that information asymmetry exists between principals (shareholders) and agents (managers). Therefore it is more & more important to ensure quality reporting to reduce information asymmetries. Lang and Lundholm, (1996) has pointed out in their study that the analysts precision and prediction has apositive association with the level of company's financial disclosure. Clarity of enforcement laws and litigations, sound accounting education system and other environmental motivating factors affect the incentives and competence of preparers, auditors and users of financial report (Jacob *et al*) Various studies has been conducted in various parts of the world to study the effect of IFRS on quality of disclosure, complexity of IFRS, understandability of IFRS, cost benefit analysis of IFRS, perception of accountants and auditors regarding the implementation of IFRS. A recent study conducted by Phan.et.al (2013) through a survey among three subgroups namely auditors, accountants and academics in Vietnam concluded that Vietnamese accounting professionals are optimistic about potential benefits from IFRS adoption, the author also studied the perception of three subgroups towards the cost and benefits associated with the implementation of IFRS and concluded that Vietnamese accountants strongly support the shift from Vietnam accounting Standards to IFRS though the level of support varies among subgroups. Complex nature of few IFRS, lack of staff training, difficulties associated with the first time adoption of IFRS becomes obstacles in the adoption and implementation of IFRS. Fair value accounting according to IFRS will increase the volatility in book values and reported earnings. (Barth *et al* 2005). Patro *et al* has emphasized the need to integrate the IFRS in accounting curriculum at post graduate level. One of the biggest challenges experienced by the early adopters of IFRS is the training to staff. Proper transition requires IFRS training to investors, management, auditors and inclusion of IFRS in accounting curriculum (Moqbel and Bakay, 2010). Apart from the complexities, costs and benefits associated with the adoption of IFRS, cultural factors have an equivalent impact on the adaptability of IFRS. Culture largely impacts the accounting practices, as pointed out by Ballas *et al* (2010). He conducted a study on Greek companies and stated that Greek people have strong element of individualism and state regulation resulting in preference of rules over principles and economic substance. He also mentioned that the cultural factors in Greece impacted the transparency of financial statements. Similar type of study was conducted by La Porta *et al*. (1998) in which he placed Spain in the "French family" within the code-law tradition and compared it with the other two code-law "families" (Scandinavian and German). The findings indicated that Spain and other countries in the "French code law family", prepared financial statements giving less importance to transparency and disclosures as they are not used to such practices as tradition and enforcement is weak in Spain.

There is general perception that IFRS will increase cost to the company as it is more complex when compared to respective national accounting standards, an empirical research was conducted by Garcia *et al* in Spain on a sample of 63 Spanish firms and the study showed that preparers do not consider IFRS to be better than Spanish accounting standards. Spanish financial statement preparers are used to national accounting standards as they perceive them to be simpler, concrete, and less extensive as compared to IFRS. Preparers have negative perceptions for favor some of the most important changes required by IFRS. Though the positive side of IFRS is also there as the empirical study also indicated that implementation of IFRS will enhance users' decisions-making. In European Union, IFRS were implemented with effect from Janauary 2005. Naoum *et al* (2011) studied the Greek listed firms through a questionnaire to understand the perception of managers regarding the quality of published financial statements and cost benefit relationship with the implementation of IFRS. The study revealed that majority of the mangers believed that quality of published financial statements had improved with the implementation of IFRS but had serious concerns regarding the cost of implementation of IFRS. In non-English countries translation of IFRS to local language poses to be serious hurdle. In a research conducted by Wahyuni *et al*. (2010) in Indonesia on a sample of 275 accountants and auditors revealed that language is perceived to be an important factor in the implementation of IFRS, while training to staff remains to be a serious concern. Jun & Kago (2009) conducted a study on the mandatory application of IFRS and highlighted the negative attitude of Japanese managers towards IFRS adoption owing to difficulties associated with it. Implementation and adoption of IFRS is a mixed basket of challenges and opportunities and some authors concluded the optimistic attitude of accounting professionals owing to the opportunities associated with implementation and adoption, while some other were more influenced by the difficulties thus portraying the pessimistic attitude. A study conducted by Joshi *et al* (2007) in Bahrain through a survey on listed companies revealed that accounting professional are concerned about the cost of adoption of IFRS but still they are optimistic that global adoption will bring the benefits at international level and will outweigh the cost. IFRS was supposed to be implemented in India from April 2011, still

preparedness of the Indian corporates was a big issue, in a study conducted by Ernst & Young, 79% of the respondents felt that there company is prepared for convergence deadline of April 2011.

3. Regulatory Framework in India

The concept of global accounting language may be relatively new for developing economies like India, but its existence dates back to 1973 when an International Accounting Standard Committee (IASC) was established. As Western world experienced increased cross border transactions during 1980s and 1990s which enhanced the need for global accounting standards. In 2001 International Accounting Standard Committee was restructured as International Accounting Standard Board (IASB) to ensure technical expertise, independence and representativeness of the members. International Financial Reporting Standards are issued by IASB. IFRS comprises of:

- International Financial Reporting Standards issued after 2001
- International Accounting Standards issued before 2001
- Interpretations originated from the International Financial Reporting Interpretations Committee (IFRIC)- issued after 2001
- Standing Interpretation Committee (SIC)- issued after 2001

In India accounting standards are issued by accounting Standards Board formulated by Institute of Chartered Accountants of India (ICAI). ICAI being the member of International Accounting Standards Committee (IASC) formulated an Accounting Standards Board (ASB) in 1977 to bring uniformity in accounting practices, principles and policies followed across the country. Accounting Standards are formulated and issued by the (ASB) taking into consideration the needs of the business nationally and internationally, laws and customs. Though ASB has been established under ICAI but it has full independence in framing of accounting standards, if the council of ICAI feels that some changes are required in certain accounting standards, it can only be done in consultation of ASB.

Subsection (3A) to Section 211 of the Companies Act 1956, requires that every profit/loss account and balance sheet shall comply with the accounting standards wherein accounting standards have been defined as the rules issued by ICAI in consultation with National Advisory Committee on Accounting Standards (NACAS). In pursuance of the statutory mandate provided under the Companies Act, 1956, the Central Government prescribes accounting standards in consultation with the National Advisory Committee on Accounting Standards (NACAS) established under the Companies Act, 1956. NACAS, a body of expert's including representatives of various regulatory bodies and Government agencies, has been engaged in examining and advising of implementation of the accounting standards framed by the Accounting Standards Board of ICAI. In India apex accounting body Institute of Chartered Accountant of India (ICAI) took up the task of implementation and adoption of IFRS. The roadmap was prepared for convergence with IFRS for certain specified entities with effect from 1st April 2011. The convergence plan issued by Ministry of Company Affairs issued was as follows:

(1) Phase 1: Applicability of IFRS to Opening Balance Sheet as of 1 April 2011

- Companies that are part of NSE 50
- Companies that are part of BSE 50
- Companies whose shares or securities are listed on a stock exchange outside India
- Companies listed or not having net worth exceeding INR 1000 crores

(2) Phase 2: Applicability of IFRS to Opening Balance Sheet as of 1 April 2013

Companies not listed in phase 1 and having net worth exceeding INR 500 crores

(3) Phase 3: Applicability of IFRS to Opening Balance Sheet as of 1 April 2014

Listed companies not covered in the earlier phases

IFRS applicability was deferred and the Council of the ICAI, at its last meeting, held on March 20-22, 2014, has finalized the new roadmap. The Ministry of Company Affairs has issued Companies (Indian Accounting Standards) Rules 2015. The accounting standards as specified in the annexure to these rules were called the Indian Accounting Standards (IndAS) and would be the accounting standards applicable to all classes of companies as follows:

(a)Phase I: The following categories of companies will convert their opening balance sheets as at 1st April 2016, if the financial year commences on or after 1st April 2016 in compliance with Ind AS. These companies are: All companies with net worth of Rs. 500 crores or more whether listed (or in the process of listing at any stock exchange in India or outside India) or unlisted (including holding, subsidiary, joint venture or associates of such companies).

(b)Phase II: The following categories of companies will convert their opening balance sheets as at 1st April 2017, if the financial year commences on or after 1st April 2017 in compliance with IndAS. These companies are:

The companies whose equity and/or debt securities are listed or in the process of being listed on any stock exchange in India or outside India.Unlisted Companies having net worth of Rs. 250 crores or more but less than Rs. 500 crores.

(c)Voluntary adoption

Any company may voluntary adopt IndAS as the basis for financial statements for accounting periods beginning on or after 1 April 2015 or thereafter. But once followed it cannot be revoked subsequently. To facilitate the implementation process ICAI started with the Certificate Course on IFRS for the members of the Institute. The objective of the course is to impart knowledge to professionals for the first time adoption and implementation of IFRS. In India ICAI intends to implement the IFRS with some modifications and these modified standards are called as IndAs, IndAs mapped IFRS are shown in Table 1. Table 1 shows the mapping of IAS & IFRS.

Table 1. IndAs and IFRS/IAS

IFRS/IAS No	IndAs	Standard	IFRS/IAS No	IndAs	Standard
IAS 1	Ind AS 1	Presentation of financial statements	IAS 31	Ind AS 31	Interests in joint venture
IAS 2	Ind AS 2	Inventories	IAS 32	Ind AS 32	Financial instruments: presentation
IAS 7	Ind AS 7	Statement of cash flows	IAS 33	Ind AS 33	Earnings per share
IAS 8	Ind AS 8	Accounting policies, changes in accounting estimates & errors	IAS 34	Ind AS 34	Interim financial reporting
IAS 10	Ind AS 10	Events after the reporting period	IAS 36	Ind AS 36	Impairment of assets
IAS 11	Ind AS 11	Construction contracts	IAS 37	Ind AS 37	Provisions, contingent liabilities and contingent assets
IAS 12	Ind AS 12	Income Taxes	IAS 38	Ind AS 38	Intangible assets
IAS 16	Ind AS 16	Property, plant & equipment	IAS 39	Ind AS 39	Financial instruments: recognition & measurement
IAS 17	Ind AS 17	Leases	IAS 40	Ind AS 41	Investment property
IAS 18	Ind AS 18	Revenue	IAS 41	Information not available	Agriculture
IAS 19	Ind AS 19	Employee benefits	IFRS 1	Ind AS 101	First time adoption of Ind AS
IAS 20	Ind AS 20	Accounting for government grants and disclosure of government assistance	IFRS 2	Ind AS 102	Share based payment
IAS 21	Ind AS 21	The effect of changes in foreign exchange rates	IFRS 3	Ind AS 103	Business combinations
IAS 23	Ind AS 23	Borrowing Cost	IFRS 4	Ind AS 104	Insurance contracts
IAS 24	Ind AS 24	Related party disclosure	IFRS 5	Ind AS 105	Noncurrent assets held for sale & discontinued operations
IAS 26	Information not available	Accounting & reporting of retirement benefit plans	IFRS 6	Ind AS 106	Exploration for & evaluation of mineral resources
IAS 27	Ind AS 27	Consolidated and separate financial statements	IFRS 7	Ind AS 107	Financial instruments: disclosures
IAS 28	Ind AS 28	Investments in associates	IFRS 8	Ind AS 108	Operating segments
IAS 29	Ind AS 29	Financial reporting in hyperinflationary economy	IFRS 9	Information not available	Financial instruments

Source:mca.gov.in

Table 2. Comparison of IFRS and Indian Accounting Standard

Component	IFRS	Indian Accounting Standard
Inventories	For the inventories acquired on deferred settlement terms, the difference between the purchase price of deferred settlement and normal credit term is recognized as an interest expense.	No such guidance is available.
Cash Flow Statement	Bank Overdrafts repayable on demand are treated as cash equivalents, interest and dividend paid for other than finance company can be treated as operating or financing activity. IFRS stipulates Cash Flow Statement mandatory for all.	No guidance available regarding the bank overdraft, interest and dividend paid for other than finance company can be treated as financing activity only. AS 3 exempt level 3 entities from the applicability of AS3
Intangibles	Annual impairment under IFRS and revaluation of intangible is allowed in rare circumstances.	Maximum useful life for an intangible is 10years and revaluations are not permitted.
Extraordinary Items	No such term exists in IFRS	Extraordinary items are reported in income statement and cash flow statement.
Interest expense	Under IFRS interest expense has to be recognized as per the interest expense method.	No such method exists in Indian Accounting Standards.
Borrowing Cost	Under IFRS provisions of Borrowing Costs standard will not be applicable to the acquisition, construction or production of qualifying asset measured at fair value.	No such exception exists in Indian Accounting Standards.
Functional and Presentation currency	Functional currency is the currency of the primary economic environment in which the entity operates. Functional and presentation currencies may be different. The standard contains detailed guidance on this.	No such concept exists in Indian Accounting Standards
Goodwill	Goodwill is not amortized subject to annual impairment test.	AS 14 provides that goodwill arising on amalgamation in the nature of purchase is amortized over a period of 5 years.
Actuarial gain or loss	IAS 19 gives three choices for the treatment of actuarial gains or losses arising on measurement of employee benefits.	Actuarial gains and losses should be recognized immediately in the statement of profit and loss as an income or expense.
Contingent asset disclosure	Contingent assets are disclosed in the financial statements only if the inflow of economic benefit is probable.	Contingent assets are disclosed as part of the director's report (approving authority)and are not disclosed in the financial statement.
Entities operating in hyper inflationary economies	IFRS prescribes reporting requirements for entities operating in hyperinflationary economies.	No such standard exists in India.
Changes in accounting policies and prior period items	Any restatement resulting from the change of accounting policy related to prior periods has to be adjusted in the opening balance of retained earnings of the earlier years.	In Indian Accounting Standards all the adjustments are to be done in current year.

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Property Plant and Equipment	IFRS requires the entity to choose either the cost model or revaluation model. If revaluation model is chosen whole class of asset has to be revalued at regular intervals. Management must consider every year end whether fair value is materially different from carrying value.	Assets have to be carried at cost less accumulated depreciation, revaluation is done in exceptional cases and the concept of class of asset to be revalued does not exists.
Revenue Recognition	Revenue should be measured at the fair value of consideration received or receivable.	Revenue is measured by the charges made to the customers for the goods or services rendered.
Investment Property	Initial valuation of investment property should be valued at cost plus transaction cost. For subsequent measurement entity should its accounting policy of fair value model or cost model.	Investment property should be considered as long term investment. Long term investments are valued at cost less permanent diminution in value if any.
Segment Reporting	If the structural changes result the change in reportable segment, then IFRS requires the corresponding information of earlier periods to be restated.	Changes in accounting policies adopted for segment reporting that have a material effect on segment information should be reported, prior period figures needs no restatement.
Related party Disclosures	Disclosure of terms & conditions of outstanding items pertaining to related parties is required under IFRS.	No such requirement of disclosure of terms & conditions required under accounting standards. Related party transaction the amount of which is in excess of 10% of the total related transactions is considered as material and disclosed in aggregate.
Business Combinations	Non-controlling interest is presented as a component of equity. The portion of income attributable to non-controlling interest and to the parent is disclosed separately in the income statement. The difference in the reporting dates of subsidiary/associate and parent should not be more than three months. If the acquirers interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized exceeds the cost of the business combination, a reassessment has to done and recognize immediately in income statement.	Minority interest is presented as a separate item other than equity and liabilities. The portion of income attributable to non-controlling interest and to the parent is not disclosed separately in the income statement. The difference in the reporting dates of subsidiary/associate and parent should not be more than six months. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized exceeds the cost of the business combination, the excess shall be disclosed as capital reserve.

Table 3. Comparison of IFRS and Ind AS

Component	IndAS	IFRS
First Time Adoption	Entities are required to present comparatives. There is no requirement to present additional comparatives under previous GAAP. Entities have an option to use previous GAAP carrying values of PPE as of 31 March 2007 (or relevant date immediately preceding date where it has a different financial year) as deemed cost under Ind AS.	Entities have to mandatorily transition as of the beginning date of financial year on or after 1 April 2011 and are not required to present comparative information. The first time adopter shall present latest corresponding previous period financial statements prepared as per the previous existing Indian accounting Standards. There is no exemption permitting previous GAAP carrying value of PPE as deemed cost under IFRS.
Business Combinations	Common control transactions are included in the scope; and additional guidance is provided. Gain on bargain purchase is recognised in Other Comprehensive Income and accumulated in equity as capital reserve if there is a clear evidence of the underlying reason for classification of the business combination as a bargain purchase; otherwise, the resulting gain is recognised directly in equity as capital reserve	Common control transactions are excluded from the scope. Gain on bargain purchase is recognised in profit or loss after reassessment of the fair value of assets acquired and liabilities assumed
Classification of Income & Expenses	Entities should present an analysis of expenses recognised in profit or loss using a classification based only on the nature of expense.	Entities can present an analysis of expenses recognised in profit or loss using either nature, or functional classification.
Statement of Cash Flows	Interest and dividends paid is classified as financing cash flows and interest and dividends received is classified as investing cash flows.	Interest and dividends paid and received can be classified as operating or financing activities.
Construction Contarcts	Revenue from agreements for construction of real-estate is recognised using percentage of completion without further evaluation.	Revenue from agreements for construction of real-estate will generally be recognised on completion of the contract, percentage of completion only in specific cases.
Employee Benefits	All actuarial gains and losses for post-employment defined benefit plans and other-long term employment benefit plans are recognised in Other Comprehensive Income (OCI). Discount rate used to discount employee benefit obligations shall be determined by reference to market yields at the end of the reporting period on government bonds only.	Actuarial gains and losses for defined benefit plans can be recognisedinprofit or loss; or in OCI or using corridor approach. Actuarial gains and losses for other-long term employment benefit plans are recognised in profit or loss. Discount rate used to discount employee benefit obligations shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

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Government Grants	Grants are recognised only at their fair value. Grant related assets are presented only by setting up the grant as deferred income.	Grants can be recognised either at their fair value or at nominal value. Grant related assets can be presented either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.
Investment Property	Investment properties are measured using only cost model	Investment properties are measured using cost model or fair value model.
Earnings per share (EPS)	EPS is required to be presented in both, consolidated as well as separate financial statements.	EPS is required to be presented in consolidated financial statements.
Financial Instruments	Conversion option to acquire fixed number of equity shares for fixed amount of cash in any currency is treated as equity and accordingly is not required to be remeasured at fair value at every reporting date. In determining the fair value of the financial liabilities designated at fair value through profit or loss upon initial recognition, any change in fair value due to changes in the entity own credit risk are ignored.	Conversion option to acquire fixed number of equity shares for fixed amount of cash in entity's functional currency only is treated as equity. Thus, a conversion option embedded in foreign currency convertible bonds is treated as embedded derivative, and accordingly fair valued through profit or loss at every reporting period end. In determining the fair value of the financial liabilities designated at fair value through profit or loss upon initial recognition, any change in fair value due to changes in the entity own credit risk are considered
Investment in Associates	Entity is exempted from the use of uniform accounting policies for like transactions and events in similar circumstance if it is impracticable to do so.	The investors financial statements should be prepared using uniform accounting policies for like transactions and events in similar circumstances.
Presentation of consolidated financial statements	Ind AS does not mandate presentation of consolidated financial statements as requirements to present consolidated or separate financial statements is regulated by governing statutes in India.	Presentation of consolidated financial statements is mandatory subject to limited exceptions

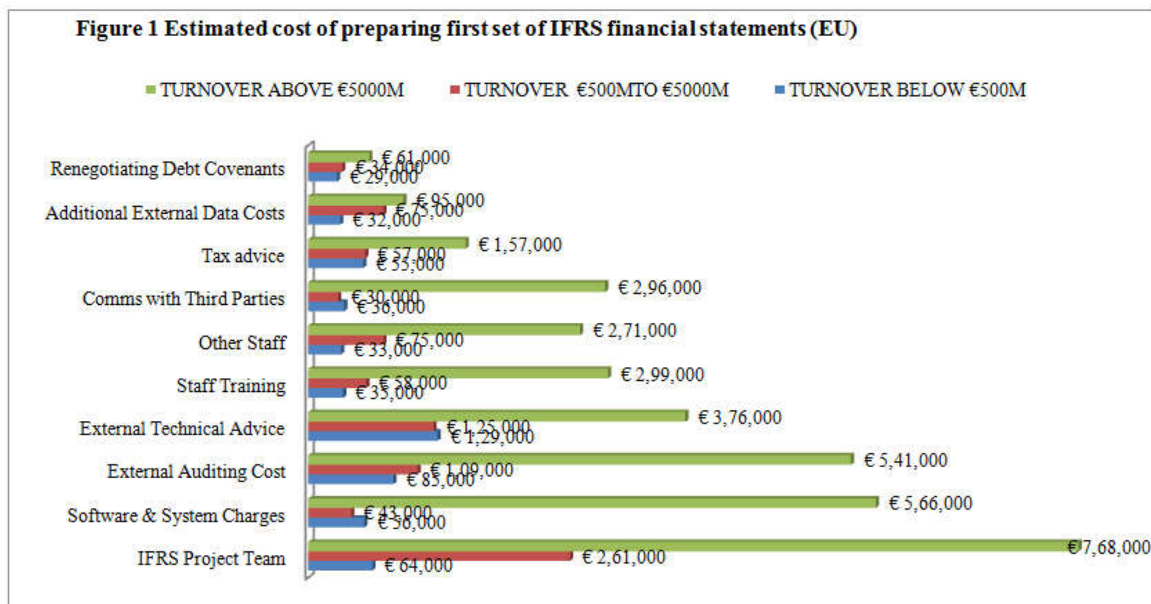

Figure 1 Estimated cost of preparing first set of IFRS financial statements (EU)

Source: EU Implementation of IFRS and the Fair Value Directive ICAEW (2007)

4.Implementation of IFRS:Opportunities

Based on extensive literature review it would be worthwhile to highlight the opportunities associated with the implementation of IFRS.

- Financial reports of Indian corporates become internationally comparable. Europe, where IFRS has already been implemented, Jermakowicz & Gornik-Tomaszewski revealed that application of IFRS was expected to determine more comparability and transparency of financial reporting to help outsiders to understand the manager's financial actions to eliminate the substance of informational asymmetry.
- Increases the acceptability of financial reports nationally and internationally
- Boosts investor confidence
- Implementation will increase the opportunities in foreign capital market
- Implementation may increase the cross border mergers and acquisitions
- IFRS will streamline the accounting process across the globe so the understandability of financial statements will increase among the readers.
- Earning management opportunities will decrease
- Implementation of IFRS across the globe will unite the effort of National Regulatory bodies across the globe to a single set of accounting standards being followed.
- Technical expertise will be available from all the corners of globe for a single set of accounting standards.
- Implementation of IFRS will ensure greater transparency, creditability and economic value as IFRS are rule based.

5.Implementation of IFRS: Challenges

As the coin has two sides similarly IFRS implementation is also entrusted with its opportunities & challenges. Nations have different religions, cultures, legal system, traditions, business customs, beliefs and myths so it becomes a challenging task to burry all these differences and to adopt an uniform policy across the globe. There are various reasons why the countries hesitate in adopting and implementing the IFRS.

•**Applicability:** Acceptability of IFRS across the globe is another serious concern with the implementation, as all the countries has not implemented IFRS. United States still prefers to use US GAAP. Even when the countries have adopted IFRS they have adopted it according to their own needs resulting in noncompliance with many provisions, for instance, India intends to go with IndAs. Lack of 100% compliance proves to be a demotivating factor for the implementation of IFRS.

•**Costly:** AdoptingIFRS is a costly affair on account of increased compliances; staff training cost and infrastructural requirements. Implementation process will require changes in the present information systems to capture the information in accordance with IFRS requirements. Moreover it requires extensive technical training for accounting professionals, standard setters and academicians. The estimated cost for first time adoption of IFRS for European companies as reported by EU Implementation of IFRS and the Fair Value Directive ICAEW (2007) is given in Figure 1.

•**Complex**: Complex nature of some of the IFRS creates adoption problems. Various research studies have been conducted in this respect and authors have reported complexity of IFRS and insufficient implementation guidance as one of the significant challeneges in the implementation of IFRS. (Jermakowicz & Gornik-Tomaszewski 2006; Larson & Street, 2004; Hoogendoorn, 2006)

•**Clarity from Regulatory Bodies:** Lack of clear guidance from regulatory bodies and ambiguity regarding the various provisions in various acts.

•**Disclosure Formalities:** It is doubtful whether implementation of IFRS will increase the understandability or it will increase the confusion of user as IFRS reports are lengthy when compared with the national accounting standards. KPMG conducted a survey in 2007 including 18 of the largest European banks reporting under IFRS, concluded that the size of annual report has increased when put to comparison with national accounting standards.

•**Volatility in reported Earnings:** As few IFRS differs substantially from the respective national accounting standards, the prepares and adopters have embedded fear that these changes will have substantial effect on reported earnings. Dhar (2011) studied the impact of IFRS 2 share based payments on Indian Companies for the year 2006 & 2007, the impact of stock option expense recognition is analyzed on the important earning indicators like Earning Per Share, Return on Equity, Return on Total Assets and total compensation expense for the Indian listed companies. Findings revealed that stock option based compensation differs from entity to entity and recognition would have a substantial effect on the performance measures of 22% of the sample size for the year 2006 & 2007.

6.Comparison of IFRS and Indian Accounting Standards

At present Indian corporateare preparing financial statements on the basis of Indian Accounting Standards, neither Ind AS nor IFRS has been implemented. Though ASB has always tried to match with international standards still differences exist in IFRS and Indian Accounting Standards. Few areas of differences are highlighted in Table 2.

Institute of Chartered Accountants of India has come up with Indian Accounting Standards converged with the International Financial Reporting Standards called Ind As. Even after convergence there are many differences between IFRS and Ind As as depicted in Table 3.

7.Recommendations

•Major Regulatory changes required

For successful implementation of IFRS various regulatory changes are required in the governing statues. It is observed that implementation of IFRS may result in a number of inconsistencies due to different rules in different law. Changes are required in the Companies Act 1956, Securities and Exchange Board of India regulations, Income Tax Act 1961, Banking and Insurance regulations

•Ind AS- Modified IFRS

Ind ASare the converged version of IFRS. Differences of IFRS and IndAS have been discussed in Table 3 which shows that IndASare not exactly the same as IFRS. These defeats the purpose of implementation of IFRS as this does not go with the objectives of global convergence of accounting standards. There should not be any difference between IFRS and IndAS to protect the sanctity of IFRS.

Conclusion

In the present scenario of world economy and India being an emerging economy, convergence to IFRS is strongly be recommended, though convergence will not be swift and a painless process. Securities Exchange Commission of USA has also endorsed the fact IFRS has the potential to become global accounting language and facilitate international comparison. 'IFRS has the potential to become the set of accounting standards that best provide a common platform on which the companies can report and investors can compare financial statements.'(McDermott *et al*., 2008) Implementation of IFRS will require changes in mindsets as well as relevant statues. Various studies depicted different views regarding the acceptability of IFRS. In a cross country study by Pricewaterhousecoopers (2000), including 16 countries and a sample of over 700 CFO of listed companies, indicated a strong support for IFRS. 52% of those who were yet to convert to IFRS believed that the change would be positive and 80% of those who had already implemented IFRS believed it was positive. Convergence to IFRS is not an easy process it is huge task which requires the structured approach to take care of the interest of all stakeholders. Doors to future research are open in India to read the minds of all involved in IFRS convergence process giving equal importance to cultural, legal and cost-benefit issues.

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