INTERNATIONAL FINANCIAL REPORTING STANDARDS: OPPORTUNITIES FOR INDIAN UNIVERSITIES

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Abstract - Globalization requires theoretically sound, simple, globally accepted harmonized accounting or financial reporting standards permitting use of one accounting report everywhere in the world. It needs conceptual framework, legal and regulatory framework and institutional framework. Now International Financial Reporting Standards (IFRS) have been accepted by 83% of the globe. Rest is likely to accept it soon. The universal acceptance of IFRS opens up great opportunities in the field of education, training and research based on IFRS theory and practice. India will be the youngest nation in the ageing world to seize this opportunity to export IFRS related skilled manpower to the world. The present paper lists 21 opportunities for education and training 16 research opportunities related to IFRS.

Index Term - IFRS, Ind-As, Indian Universities

I. INTRODUCTION

Globalization means free mobility of capital, technology, commodities and services through-out world. Company's com raise capital grows any part of the globe. For this accounting disclosers must be based on theoretically sound, simple to use harmonized accounting standards. a company be required to pay the cost of a single accounting report on its affairs and position which must be needed. No new report be required to be published and no additional fee be required to be paid .This is essential for the healthy development of global capital and financial market.

II. FRAMEWORK OF ACCOUNTING

A logical and consistent financial reporting is required to ensure public confidence in accounting reports. For this, it is necessary to develop global consensus on the following fundamental issues:-

1) Meaning and scope of financial reporting.
2) Object of financial reporting.
3) Elements of financial reporting.
4) Measurement rules to be employed regarding various elements of accounting like profit, net worth, etc.
5) Quality attributes that a financial disclosure must possess.
6) Framework for accounting rests on four pillars:

A. The Conceptual Framework

It provide for a structured theory of accounting. It is based on coherent system of interrelated premises, objectives and fundamentals leading to consistent accounting standards. This conceptual framework is based on the normative theory. It lays down the nature, functions and limitations of financial accounting and reporting. It helps in harmonization of various accounting standard by elimination of various accounting standards by elimination of inconsistencies, differences, contradictions, anomalies and gaps between various accounting standards. The USA has spent millions of dollars on its CFA project but objective could not be achieved due to the tragic gap between theory and practice of accounting. Those who teach and do research in accounting, they do not practice it and those practice it find hardly any time for teaching and research and innovation in accounting . A sound conceptual framework can be developed by joint efforts of academicians and practicing professionals.

B. The Legal and the Regulatory Framework

The company law, taxation law, SEBI, RBI, IRDA laws and regulatory bodies impact accounting disclosures. This framework differs from country to country. It acts as a barrier in globalization of accounting standards. To make it compatible with IFRS is a big challenge. For example in Indian, IFRS could not be adopted. Convergence in the form of Ind-AS has been worked out due to pressure of MCA, SEBI, ICAI.

The ministry of finance, Govt. of Indian has bluntly refused to accept accounting reports based on fair market value concept. RBI and IRDA have deferred IFRS for the time being due to fear of adverse effect of fair market value on banking and insurance companies financial performance leading to steep fall in their market valuation.

C. The Institutional Framework

The International Accounting Standard Board (IASB) in London is the apex body which is committed to a single set of high quality global accounting standards resulting in transparent and comparable information for a single global capital market. There standards are called 'International Financial Reporting Interpretations Committee' (IFRIC).

III. HISTORICAL BACKGROUND

The work on International Accounting Standards was commenced in 1966, An Accounts International Study Group (AISG) was setup in 1967. In 1973, International Accounting Standards Committee (IASC) was established as an agreement reached among professional accounting bodies of nine countries. 1982 onwards, this member became more than 100.

Then IASC Board was constituted with representation of 13 countries to carry out job of standards setting. In 2002, International Organization of Securities Commission (IOSCO) recommended to its 181 member's organizations to permit MNC's to use IAS along with reconciliation to national GAAP. IASC issued 41 standards. A few were withdrawn or mended later on. In 2001, IASC was replaced by the International Accounting Standards Board (IASB). Standing Interpretation Committee (SIC) was replaced by IFRIC. IASB has issued 8 IFRS.

IV. FEATURES OF IFRS AS AGAINST GAAP

The IFRS are principle – based whereas GAAP were rule based. Transactions cannot be easily manipulated in IFRS.

- The IFRS prescribes treatment based on the economic substance of an event/transaction where as GAAP prescribes treatment based on law.
- IFRS has more scope for subjectivity and non variability as compared to GAAP.
- IFRS is based on Fair Market Value based value-based whereas GAAP was based on historical cost.
- IFRS focuses on Balance sheet whereas GAAP focused on Income Statement.
- IFRS has no concept of extra ordinary or exceptional items unlike GAAP.
- IFRS uses functional classification of expenses and moves close to costing classification
- IFRS requires more stringent disclosure of basis of exercising managerial judgment and use of estimates as compared to GAAP.
- Accounting for Depreciation is replaced by Impairment and intangible assets accounting in much different in IFRS from GAAP.
- IFRS leads to global harmonization of accounting whereas GAAPS had led to non-comparable heterogeneous accounting of disclosures.
- IFRS will make accounting teaching and research globally uniform and comparable. It will facilitate global collaborations and mobility of academicians, researchers and practitioners.

V. UTILITY OF IFRS

It will ensure global comparability of accounting disclosures, hour down cost of accounting disclosures, widen, reach to global capital market which may reduce cost of committal and improve project viability. It will reflect fair market value of an entity and disclose true cost of acquisitions. It will facilitate global benchmarking with pears.

But adoption of IFRS poses some challenges. It demolishes the structure of historical cost based and law driven financial accounting. A new financial accounting theory based on IFRS has to be written, taught and practiced grater scope for subjectivity and non-verifiability will require higher degree commitment to accounting ethics. Recognition of IFRS based accounting statement by taxation authorities will be a tough task. Fair value changes will lead to unrevised gains and losses. Their treatment in computing distributable profit will be a debatable issue lot of training and research will be need.

In India, the complex situation poses more sever challenges. We have a complex and complicated but lap sided legal and regulatory framework. ICAI's accounting standards board (ASB), MCA's committee SEBI committee deal with the issue of accounting standards in a conflicting way and accounting academicians are completely left aside. Vested interest groups are in commanding position. Let us have a bird's eye new of Ind-As convergence to IFRS in India.

(a) Only 2 accounting standards (As) need no change.
(b) 6 As have minor difference with IFRS
(c) More time will be needed to prepare for implementation of IAS 18,21,40, IFRS2 and 5.
(d) In a few IAS where major differences are there, the matter will have to be taken up with IASB. Those are IAS 17, 19, 27,28,31,37.
(e) In a few other IAS/IFRS, there are serious differences to be taken up with IASB or ICAI may delete them. These are IAS 12, 24, 41, IFRS 3, 6 and 8.

Thus, it is clear that convergence in more complicated than adoption of IFRS.

VI. IFRS

Presently it is a group of 25 IAS 16 IFRS, 13 IFRIC Interpretations and 5 SIC Interpretations (after considering IAAS with drawn, replaced or superseded). International Accounting Standards Board (IASB) announced in April, 2001 that IAS will

be designated as International Financial Reporting Standards (IFRS).

VII. GLOBAL ACCEPTANCE OF IFRS

There are total 143 Jurisdictions distributed amongst 5 regions shown in the following table along with number of jurisdictions that requires IFRS for all or most domestic public entities :-

Figure 1: Global Acceptance of IFRS

Region	Total No. of Jurisdictions	IFRS Required	Percentage of IFRS required
Europe	43	42	Almost 100%
Africa	20	12	60%
Middle East	12	11	Almost 100%
Asia-Oceania	31	23	74%
Americas	37	27	73%
Total	143	119	83%

Source: IASB 2015

The above table indicates that IFRS have strong acceptance in 83% jurisdictions, with almost 100% acceptance in Europe and Middle East About 10% additional jurisdictions have selective acceptance of IFRS. Thus, a mere 7% jurisdiction is without IFRS in the world. In globalization several MNC's are establishing business in emerging economies and several companies from emerging economies are increasingly accessing the global market are getting integrated. About 58% of the world GDP receives IFRS based accounting reports.

IFRS for SME's have been required or permitted by 80 jurisdictions out of the total 143 giving 56%. India is yet to adopt IFRS for SME's.

India has gone in favour of IFRS convergence against IFRS adoption. Ind- AS are by and large aligned to IFRS with a few carve outs. The Ministry of Corporate Affairs, Govt. of India, has notified Ind-AS from April, 1, 2016. The Companies Act, 2013 has also made accounting standards as notified by MCA as mandatory. However, it would have been better if India had gone for IFRS adoption instead of IFRS convergence in the form of Ind-AS.

VIII. OPPORTUNITIES FOR INDIAN UNIVERSITIES – EDUCATION AND TRAINING

The following challenges and opportunities for Indian Universities may be identified by adoption of IFRS in India and its fast-spreading global coverage :-

1. Accounting curriculum reform to incorporate study of IFRS based financial accounting.
2. Training of accounting faculty to teach new curriculum
3. Preparing standard reading material/ text books of Financial Accounting based on IFRS.
4. Conduct Executive Development programs for Accounting and Finance Executives in corporate sector.
5. Prepare Accounting and Finance graduates for overseas employment in Europe and Middle East and other IFRS jurisdictions.
6. Provide consultancy services for introduction of Ind-AS, IFRS for first time changeover of Accounting Statement preparation.

Accounting curriculums and books are uniform globally. New adoption / adaption of IFRS will make preparation of financial statements broadly uniform and comparable. Accounting faculty, researchers and accounting skilled youth will have global mobility to seize global job opportunities. India is a young nation with 605 million youth below 25 years. For next four decades we will have a youthful, dynamic and skilled workforce when rest of the world would be aging. ILO has predicted that by 2020, India will have 116 million workforces in the age group of 20-24 years against China's 94 million. In next 20 years the labour force in the industrialized world will decline by 4% while in India it will increase by 32%. World-wide there will be increasing demand for IFRS skilled accountants and India can benefit by export of such skilled youth to all other countries. The Indian universities may capitalize on high reputation of India in accounting and finance expertise and prepare skilled youth in IFRS to seize huge export opportunity.

Indian universities will do well to develop IFRS curriculum covering theory and practice of the following skills:-

1. Shift from existing to IFRS / Ind-AS financial statements
2. Preparing financial statements under IFRS/Ind-AS
3. Preparing Consolidated Financial statements under IFRS/Ind-AS
4. Preparing IFRS/Ind-AS financial information for regulatory purposes like IPO, REI Ts etc
5. Preparing corporate Annual Reports and policies Disclosures as per IFRS/Ind-AS check list.
6. Preparing accounting manuals under IFRS/Ind-AS
7. Computing and reconciling GAAP data and IFRS/Ind-As data

8. Electing exemptions on first time adoption of IFRS/Ind-AS
9. Preparing diagnostic reports on change capabilities to identify training needs in an organization. Planning and execution of training programs and their evaluation.
10. Preparing skeleton IFRS/Ind-As financial statements.
11. Computing IFRS/Ind-AS adjustments, working and making journal entries.
12. Preparing technical papers and accounting memoranda / representation on critical problems faced in changeover. For example, adoption of fair market value, computation of asset impairment etc.
13. Preparing opening Balance sheet with GAAP Equity reconciliation.
14. Preparing Interim Accounting statement under IFRS/ Ind-AS.
15. Preparing complete financial statements with notes.
16. It is advisable from the view – point of target export market need to develop facility for learning one foreign language in addition to English

IX. RESEARCH OPPORTUNITIES FOR INDIAN UNIVERSITIES

The Indian universities may undertake researches on IFRS/Ind-AS on several new topics at Master level, M.Phil, doctorate and post-doctoral level. Major international level research projects may be undertaken in collaboration of foreign universities. An inclusive but not exhaustive list of such emerging topic is given hereunder:

1. Awareness about IFRS/Ind-As amongst accounting faculties, professional and users of financial statement.
2. Expectation from IFRS / Ind-As in the mind of different stakeholders
3. Identification of Training Needs on IFRS/ Ind-As amongst accounting faculties, accounting practitioners
4. Evaluation of Effectiveness of IFRS/Ind-As Training programs.
5. Impact of IFRS/Ind-As on Investor protection. Income predictability etc
6. Impact of IFRS/Ind-As on market value of firms.
7. Impact of IFRs/Ind-As on creative Accounting Practices, Insider Trading, corporate scams, etc.
8. Impact of IFRS/Ind-As on marginal cost of capital of companies.
9. Impact of IFRS / Ind-As on IPO market.
10. Impact of IFRS / Ind-As on Stock Market volatility
11. Impact of IFRS/Ind-As on FDI and FII flows Mutual Funds etc
12. Impact of IFRS / Ind-As on agency cost in companies.
13. Impact of IFRS / Ind-As on Investor Behaviour / Investor decision
14. Study of Gap between IFRS/Ind-As income disclosures and taxable incomes.
15. Study of Gap between Ind-As and IFRS income and net worth measurements
16. Barriers in accounting harmonization.

Studies may focus on macro level, micro level impacts and inter jurisdiction inter regional impacts of IFRS.

The Indian universities, UGC state Governments and global funding agencies must provide adequate funds for IFRS related FDP, EDP and research projects on priority basis.

SUMMARY

There is about 93% coverage of IFRS by 2016. India has gone in favour of convergence of IFRS in the forum of Ind-AS with effect from April 1, 2016 in a phased manner. Global acceptance of IFRS opens up global opportunities in the field of teaching training, skill development, employment and self – employment. Commerce, accounting and finance, management faculties must gear up to seize these opportunities. Adequate funds be provided timely to execute these IFRS related projects nationally and internationally. Young India in aging world will have export opportunity for IFRS related skilled manpower.

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