Experience of other Nations in Convergence to IFRS

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The development of a common set of high-quality globally accepted standards would remove the barriers of entry to various capital markets investors can access as well as improve the comparability among companies on a global basis and will enhance the quality, consistency, comparability and efficiency of financial statements, enabling global markets to move with less friction.

In addition, one unified standards would eliminate a fundamental need for different Generally Accepted Accounting Principles (GAAP) reconciliation and the cost foreign companies have to pay for larger capital access. The adoption of International Financial Reporting Standards (IFRSs) will mean that investors at home and abroad will be able to readily access globally consistent and comparable accounting information on Indian companies at sharply lower information cost.

In a statement before the Capital Markets, Insurance and Government Sponsored Enterprises Subcommittee of the United States (U.S.) House of Representatives in Washington in June 2001, Paul Volcker, former Chairman of the U.S. Federal Reserve Board and then Chairman of the IASC Foundation Board of Trustees, summed up the case for global convergence of financial reporting standards:
"If markets are to function properly and capital is to be allocated efficiently, investors require transparency and must have confidence that financial information accurately reflects economic performance. Investors should be able to make comparisons among companies in order to make rational investment decisions. In a rapidly globalising world, it only makes sense that the same economic transactions are accounted for in the same manner across various jurisdictions."

Convergence of accounting standards is the irreversible trend under the economic globalization. Convergence exactly means:

* make their existing financial reporting standards fully compatible as soon as is practicable
* to coordinate their future work programmes to ensure that once achieved, compatibility is maintained.

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Compatible means the two sets of standards do not contain conflicts. Compatible does not mean word-for-word identical standards, for many reasons.

The seven major impediments to convergence identified by the GAAP Convergence 2002 survey conducted by the major global accounting firms are:
(a) the complicated nature of particular IFRSs;
(b) disagreement with certain significant IFRSs;
(c) insufficient guidance on first-time application of IFRS;
(d) satisfaction with domestic accounting standards among investors and users;
(e) limited capital markets;
(f) translation difficulties; and
(g) tax-driven nature of the domestic accounting regime.

Finding the right path to convergence may be one of the biggest challenges in financial reporting. For example, the U.S. accounting standard setter and the IASB have adopted a "best efforts" convergence approach, while Japan's accounting standard setter and the IASB have announced ". . . an agreement to launch a joint project to reduce differences between International Financial Reporting Standards (IFRSs) and Japanese accounting standards. . .." Convergence projects can be improvement projects as well as attempts to minimize differences.

Status of Convergence in other countries:

U.S. GAAP

The convergence involves the provisions of IFRSs and U.S. GAAP coming together, that is, the reduction of the differences between the two sets of standards. This is occurring by choosing the better standard where differences exist and joint cooperation on new standards.

Although differences will continue to exist, and thus the two standards will not necessarily produce the same result, the intention is to produce close alignment for the same or essentially the same transactions, generally comparable results in trends, a continued focus on reducing differences over time and transparency as to remaining significant differences.

The September 2002 "Norwalk Agreement" between United States' Financial Accounting Standards Board (FASB) and the IASB formalized the boards' commitment to convergence. That agreement states that the respective Boards agree to use best efforts to:

(a) Make their existing financial reporting standards fully compatible as soon as is practicable, and

(b) Coordinate their future work programs to ensure that once achieved, compatibility is maintained.

The IASB and the FASB have various joint initiatives to accomplish the goal of convergence, including:
* Twice-yearly joint board meetings.
* Aligned agendas, including explicit consideration of convergence potential in all agenda decisions.
* Joint staffing of major projects.
* Short-term projects to revise their individual standards to eliminate as many inconsistencies as possible.
* A convergence research project seeking to inventory all of the substantive differences between U.S. GAAP and IFRSs and to develop strategies for resolving them. Any recognition, measurement, presentation, or disclosure topic in which a specific accounting treatment would be permissible under one basis of accounting but would not be permissible under the other basis of accounting is included in the project scope.
* Coordination between their respective interpretive bodies (FASB's Emerging Issues Task Force and the IASB's International Financial Reporting Interpretations Committee).

The boards agreed that trying to eliminate differences between standards that are both in need of significant improvement is not the best use of resources—instead, new common standards should be developed. Consistently with that principle, convergence work will continue to proceed on the following two tracks:

• First, the boards will reach a conclusion about whether major differences in focused areas should be eliminated through one or more short-term standard-setting projects, and, if so, the goal is to complete or substantially complete work in those areas by 2008.

• Second, the FASB and the IASB will seek to make continued progress in other areas identified by both boards where accounting practices under U.S. GAAP and IFRSs are regarded as candidates for improvement.

In August 2004, the United States Securities and Exchange Commission (SEC) published its *Strategic Plan for 2004–2009*. The plan identifies the "vision, mission, values, and goals that will shape the agency's activities during the next five years" and details the initiatives being undertaken to achieve the SEC's goals.

Regarding the Commission's efforts in support of international convergence of accounting standards, the plan notes:
"Companies and investors benefit when financial statements, accounting standards, and auditing procedures mean the same thing from country to country. When one set of high-quality standards is applied anywhere in the world, the cost of accessing capital markets is likely to be reduced, and information disclosed to investors in one country can be as relevant and meaningful to investors in other countries."

In early 2006, the FASB and the IASB concluded a Memorandum of Understanding (MoU) that outlines a work programme for convergence between U.S. GAAP and IFRS. The MoU divides the convergence work into two main categories depending on their expected time frame for completion.

In the short term the aim of the convergence work is to reach a conclusion by 2008 about whether major differences in a small number of key areas should be eliminated through one or more short-term standard setting projects, and if so, complete or substantially complete work in those areas. Overall progress seems to be advancing at a satisfactory pace.

Beyond the short term, the MoU provides for the two Boards to work together and make significant progress by 2008 on other major areas where current practices are regarded as "candidates for improvement". Work on most of these seems to be progressing at the pace by which the requirements in the Roadmap should be met in time.

In April 2005, the SEC has developed a Roadmap setting out the steps leading to the ending of the reconciliation requirement and has indicted that, whilst some measurable progress on priority issues is important, a finite level of convergence is not required for the objective to be met. The roadmap contemplates a tiered approach, based principally on an evaluation by the SEC staff of the effectiveness, consistency and transparency of IFRS through review of filings made in 2006 and 2007.

Although the roadmap does not provide a date certain for SEC action, the Chief Accountant Donald T. Nicolaisen expects that the U.S. GAAP reconciliation requirement could be eliminated by 2009, if not sooner.

The elements of the roadmap are:
• 2005: European Union (EU) companies begin to phase-in IFRS
• 2005 and beyond: investors gain additional knowledge and experience with IFRS
• 2005 and beyond: investors, practitioners, auditors, standard setters, regulators and others share IFRS implementation experience
• 2005-07: SEC staff identifies changes to SEC rules necessary to give effect to elimination of the U.S. GAAP reconciliation requirement
• 2006: approximately 300 non-US registrants file their 2005 IFRS financial statements
• 2006-07: SEC staff reviews faithfulness and consistency of 2005 IFRS financial statements and the accompanying U.S. GAAP reconciliations
• 2007: SEC staff discusses review with investors, practitioners, auditors, standard setters, regulators and others
• 2007: SEC staff reviews progress of U.S. GAAP-IFRS convergence work
• 2007-09: SEC staff reviews faithfulness and consistency of 2006 IFRS financial statements and the accompanying U.S. GAAP reconciliation, and convergence work
• 2009 and possibly sooner: SEC staff decides whether and when it is in a position to recommend to the commissioners that the IFRS-to-U.S. GAAP reconciliation requirement be eliminated

In 2006 the SEC began reviewing the first filings of IFRS based financial statements by EU companies. SEC officials have since been describing their observations as "information seeking" where things were not clear to them. The questions have focused on the presentation and disclosure of the information in the financial statements.

In April 2007, in the framework of the regular yearly EU-US Summit, both sides agreed to take steps towards the convergence, equivalence or mutual recognition, where appropriate, of regulatory standards based on high quality principles.

In particular, the focus will be given on the promotion of conditions for the U.S. GAAP and IFRS to be recognized in both jurisdictions. As a confirmation of this agreement, the President of the USA, the President of the European Council and the President of the European Commission (EC) signed on 30 April 2007, an agreement containing the following statement in relation to financial reporting:

*"**Financial Markets**. Promote and seek to ensure conditions for the U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards to be recognized in both jurisdictions without the need for reconciliation by 2009 or possibly sooner. "*

Following a press statement in 24 April 2007, the SEC, on 20 June 2007 announced its proposal to allow IFRS based financial statements of foreign issuers to be filed without any reconciliation requirement. The comment period was set at 75 days from date of publication in the Federal Register. The same press statement had also indicated the possibility that the SEC could give U.S. based companies the option of using IFRS for their financial statements instead of US GAAP.

Furthermore the EC welcomes statements made by SEC officials which explain that they are "not seeking to dictate interpretations of IFRS" and notes that their reviews of the first year's filings of IFRS financial statements by European issuers have centred on matters of presentation and disclosure. Further to the understanding reached between the U.S. and the EU on 30 April 2007, the Commission also welcomes the SEC's announcement of proposed rule changes to allow IFRS based financial statements to be filed without any reconciliation requirement. The Commission attaches great importance to the SEC's work on its Roadmap for the removal of the reconciliation requirement to U.S. GAAP.

With the EU and U.S. timetables for equivalence having now been aligned, both have the possibility to monitor closely developments in the other jurisdiction. In this context, there is a clear need to deepen the co-operation between the EC and the SEC. There should be regular meetings between EC and SEC officials to establish staging posts and take stock of developments.

In a related development, the SEC, in its meeting held on the 25 July, 2007, proposed to allow the U.S. companies to choose between IFRS and the U.S. GAAP for the preparation and presentation of financial statements. This step signifies that in the near future, there will be near total convergence between the IFRS and the U.S. GAAP.

In July 2007, the SEC released SEC staff observations of their reviews of annual reports for 2006 of more than 100 foreign private issuers that filed with the SEC for the first time financial statements that were prepared in accordance with IFRS.

The staff observations indicate that a vast majority of filers asserted that their financial statements were prepared in accordance with IFRS as adopted in a given jurisdiction. Most filers also asserted that their financial statements complied with IFRS as issued by IASB. Other staff observations include issues such as, among others:
(a) variations in income statement formats;
(b) classifications of items in cash flow statements;
(c) accounting treatments for common control mergers, recapitalizations, reorganizations and acquisitions of minority interests;
(d) disclosure on revenue recognition;
(e) intangible assets and goodwill;
(f) impairments and circumstances surrounding impairment reversals of long-lived assets;
(g) leases;
(h) contingent liabilities;
(i) financial instruments, including derivatives; and
(j) compliance of banks with International Accounting Standard (IAS) 39 in determining loan impairment.

The staff observations also indicated substantial variations in accounting for insurance contracts and in the reporting of extractive industry exploration and evaluation activities.

With respect to sharing of decisions relating to the enforcement of IFRS at an international level, the final communiqué issued at the conclusion of the thirty-second annual conference of the International Organization of Securities Commissions (IOSCO) stated that, with respect to IFRS, the organization has been working toward convergence and consistent implementation of IFRS by creating an IOSCO database administered by the organization's secretary-general.

In July 2007, the SEC published for public comment a proposal to eliminate current requirements in the U.S. that foreign private issuers that file with the SEC their financial statements using IFRS as published by IASB also file a reconciliation of those financial statements to U.S. GAAP. The proposal would enable foreign private issuers who prepare financial statements that comply with the English language version of IFRS as published by IASB to file those financial statements in their annual filings and registration statements without reconciliation with GAAP.

Furthermore, the SEC unanimously voted to publish a concept release for public comment on allowing listed companies in the U.S., including investment companies, to prepare their financial statements using IFRS as published by IASB. At present, U.S. listed companies are required to prepare their financial statements in accordance with GAAP. Once the concept release is published in the Federal Register, the commenting period will run for 90 days.

Canadian GAAP

In January 2006, the Accounting Standard Board of Canada (AcSB) decided to move financial reporting for Canadian publicly accountable enterprises to IFRS. The definition of publicly accountable enterprises currently includes listed companies and entities which raise funds from the public, such as banks and insurance companies.

The AcSB's Implementation Plan for incorporating IFRS into Canadian GAAP published on 30 June 2006 assumes that IFRS will be implemented as from 1 January 2011.

dIn addition to the statutory GAAP, some listed companies report also under IFRS (or U.S. GAAP) on a voluntary basis. Domestic Canadian companies are not currently permitted to use IFRSs in place of Canadian GAAP. Foreign securities issuers in Canada were permitted, starting in 2004, to use IFRS without reconciliation to Canadian GAAP. This amounts to only a handful of companies.

Japanese GAAP

In March 2005 the Accounting Standards Board of Japan (ASBJ) and the IASB announced an initiative to accelerate convergence between Japanese GAAP and IFRS known as 'The Tokyo Agreement'. During the course of this project the ASBJ has been accelerating its revision of Japanese accounting standards to reduce the differences between the two GAAPs.

Under this approach the ASBJ and IASB have identified "short-term projects" and "longer-term projects".

Short-term projects such as Construction Contracts, Asset Retirement Obligations, Disclosure of Fair Values of Financial Instruments, Business Combinations including Pooling-of-Interest method, Uniformity of Accounting Policies in Associated Companies, Inventories (LIFO) are scheduled to be concluded by 2008.

For longer-term projects such as revenue recognition, performance reporting (financial statement presentation), intangibles (including R&D expenses), the scope of consolidation (including Special Purpose Entities "SPEs"), impairment of fixed assets and retirement benefits, the ASBJ has decided to initiate (research) projects in order to align the work with the projects run by the IASB and the FASB.

At the sixth meeting in London on 27 and 28 September 2007 members of the ASBJ and the IASB had two objectives. First, to review the convergence programme and the shared goal of eliminating major differences between IFRSs and Japanese GAAP by 2008, with the remaining differences being removed on or before 30 June 2011. And second, to discuss the arrangements for the ASBJ to input its views into the IASB's 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.

Commenting on the meeting, Sir David Tweedie, Chairman of the IASB, said:
"There remains much work ahead of us but I am pleased to report that we are on schedule to achieve convergence between Japanese GAAP and current IFRSs by 2011."

Ikuo Nishikawa, Chairman of the ASBJ, said:
"We are pleased with the close co-operation of staff from both boards and the good progress we have jointly made during the meeting in pursuit of an accelerated convergence programme."

In the seventh meeting held on 8 and 9 April 2008, the boards confirmed that the convergence project to eliminate major differences between Japanese GAAP and current IFRSs (as defined by the July 2005 Committee of European Securities Regulator assessment of equivalence) by the end of 2008 is progressing in line with the project plan.

The next joint meeting is scheduled for September 2008 in London, United Kingdom.

Chinese GAAP

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 (ASBE). These ASBEs cover nearly all topics under current IFRS, though some exceptions to IFRSs are noted.

These standards, which became effective from 1 January 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 ongoing 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 22 February 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, China’s accounting standards system for business enterprises is being developed with a view to achieve convergence of those standards with the equivalent IFRSs.

The two parties acknowledged that differences between CASs and IFRSs still exist at the moment on a limited number of matters, including reversal of impairment losses, disclosure of related party relationships and transactions, and accounting for certain government grants. Both parties agreed to work to eliminate those differences as quickly as possible.

They noted, however, that these are relatively small matters as compared to the matters on which the China Accounting Standards Committee’s (CASC) recent work has achieved such significant progress toward convergence.

During the discussions, the IASB identified a number of accounting issues for which China, because of its unique circumstances and environment, could be particularly helpful to the IASB in finding high quality solutions for IFRSs. These include disclosure of related party transactions, fair value measurements and business combinations of entities under common control. The CASC has agreed to assist the IASB in researching and providing recommendations on these issues.

Similarly, in reviewing the revisions to the Exposure Drafts, existing standards, and the implementation guidance, the CASC will get assistance from the IASB as well. As a result of the success of this joint meeting, the CASC and the IASB have agreed to continue to meet periodically and strengthen the exchange and co-operation between the two parties, to achieve convergence of the Chinese ASBEs with the IFRSs.

Russian GAAP

The Russian Government decision for listed Companies in Russia to move towards IFRS was taken in 2002. Under this plan, the listed companies in Russia were required to prepare consolidated financial statements using IFRS starting in 2004.

The individual company financial statements of members of the group would continue to be prepared using Russian GAAP. For banks, also individual banks were required to prepare IFRS financial statements in addition to Russian GAAP statements. Currently, only banks are required to prepare their consolidated accounts under IFRS and the individual accounts under the local GAAP.

There has been no progress since 2005 as regards the requirement for listed companies to prepare accounts under IFRS; the companies are preparing their accounts under the local (Russian) GAAP, which still contains certain differences from the IFRS.

The Government decisions for Russian listed Companies to move towards IFRS and to bring Russian GAAP in line with international standards are still on the agenda.

Brazil

In July 2007, further to the announcement by the Central Bank of Brazil in early 2006 of its decision to require all financial institutions in the country to apply IFRS by 2010 for preparing their consolidated financial statements, the Securities and Exchange Commission of Brazil issued rule number 457.

Ghana

In January 2007, the Minister of Finance and Economic Planning of Ghana formally launched the adoption of IFRS in his country. All the listed companies, government business enterprises, banks, insurance companies, securities brokers, pension and investment banks, and public utilities have prepared their financial statements in accordance with IFRS by the end of December 31, 2007.

In his address to participants at the launching, the minister referred to a Report on the Observance of Standards and Codes (ROSC) on Ghana that the World Bank issued in March 2006, and noted that the adoption of IFRS would address certain weaknesses the ROSC of Ghana has identified.

Korea

In March 15 2007, the Financial Supervisory Commission and the Accounting Standards Board of the Republic of Korea announced the road map for the adoption of IFRSs that by 2009, all companies in the country, other than financial institutions, will be permitted to apply IFRS as adopted by the Republic of Korea. Use of IFRS will become mandatory starting in 2011.
The Outline of the IFRS road map is:

- Financial reporting under IFRS will be made mandatory for all listed companies.
- Simplified accounting procedures will be permitted for unlisted companies to avoid any undue compliance cost. Unlisted companies may also elect to issue financial statements under IFRS, but once IFRS is elected it may not be rescinded and replaced.
- Financial statements under IFRS may be reported beginning in 2009 (excluding financial service companies) and will be made mandatory for all listed companies beginning in 2011.
- Consolidated quarterly and semiannual financial reporting is to be phased in to ensure smooth transition. For companies with assets of more than KRW2 trillion, the effective year is 2011; for others, the effective year is 2013.
- Consolidated financial statements must be prepared in accordance with IFRS and presented by the controlling parent company. If a subsidiary with controls over sub-subsidiaries is a listed company or an insurance provider, separate consolidated financial statements under IFRS are to be prepared and presented.
- Non-financial items must be disclosed quarterly and semiannually on a consolidated basis.
- A company that holds 50% of more equity in another company or exercises effective control over the company will be obligated to issue consolidated financial statements (currently, the equity threshold for consolidated reporting is 30%).

Netherlands

Earlier in 2007, the Netherlands Authority for Financial Markets shared with companies listed in the Netherlands its observations on its review of 2005 IFRS-based financial statements. The authority indicated that the "top five" IFRS financial reporting areas on which it raised questions with preparers who filed with it their 2005 financial statements were:
(a) IAS32/39: financial instruments, including disclosure, presentation, recognition and valuation, the main questions in this area pertaining to equity versus liability classification in the balance sheet and omission of related disclosers;
(b) IAS 12: income taxes, pertaining to deferred tax balances and effective tax rates;
(c) IFRS 1: first-time adoption of IFRS, in relation to general level of transparency in this area and also differences between Dutch GAAP and IFRS;
(d) IAS 1: presentation of financial statements; and
(e) IAS 17 leases.

In a special issue of Standard & Poor's *CreditWeek* published at the beginning of the year, the credit rating agency indicated that IFRS generally enhanced the consistency of data used for comparative analysis in rating companies that implemented IFRS. However, Standard & Poor's indicated that it found standard language (boilerplate) descriptions of accounting policy notes that contained little specific information on key transactions and corresponding policies uninformative and thus less useful for its purposes of credit rating. The company also indicated that various options in IFRS with respect to accounting policy, transition and presentation limit direct comparison of IFRS-based financial statements. Some of these options pertain to accounting for: borrowing costs, consolidation, valuation of property, plant and equipment, investment property, and inventories; pension and other defined benefit post-retirement obligations; and fair value in relation to financial assets and liabilities.

Hong Kong

Hong Kong Financial Reporting Standards are developed by the Financial Accounting Standards Committee (FASC) of the Hong Kong Institute of CPAs (HKICPA) and must be approved by the Council of the Institute before they become effective. The Council has mandated that the FASC develop accounting standards to achieve convergence with the IFRSs issued by the IASB.

Therefore, every agenda project of the IASB automatically becomes an agenda project of the FASC and becomes the groundwork for a new or revised Hong Kong Financial Reporting Standard.

While there is necessarily a slight time lag between issue of an IFRS and issuance of its word-for-word Hong Kong equivalent, the standards are identical. Hong Kong had resisted adopting several of the more contentious IASB standards, particularly IAS 32 and IAS 39 on financial instruments and IAS 40 on investment property. However, these have now been adopted effective 2005.

There is a relatively small issue in Hong Kong regarding the definition of a subsidiary. An untested interpretation of Hong Kong company law restricts consolidated financial statements to those of a parent and its subsidiaries in which it has majority voting control. The consolidation principle in IAS 27 is just control, which means that some IAS 27 subsidiaries may not be allowed to be consolidated in Hong Kong.

Philippines

Like Hong Kong, the Philippines have adopted all IFRSs word for word as national GAAP.

Australia

Australia's case is similar to that of Hong Kong. The Australian Accounting Standards Board (AASB) adopts Australian equivalents (nearly word-for-word) of IFRSs, effective in 2005 for all listed companies in Australia and all except very small unlisted companies.

A difference from Hong Kong is that the AASB on occasion will eliminate an alternative permitted by an IFRS, add disclosures, and add requirements appropriate for not-for-profit or governmental entities (since Australia has a single body of accounting standards applicable to commercial and non-commercial entities).

Assuming that the basis of presentation notes and auditors' reports will refer to Australian GAAP rather than to IFRSs, Australian entities may have the same 'pain without the full gain' problem that Hong Kong companies will likely have.

New Zealand

The situation in New Zealand is essentially identical to that of Australia except that the effective date of the New Zealand equivalents of IFRSs was 2007, with implementation starting in 2005 permitted but not required.

New Zealand is considering whether the basis of presentation note and auditor's report should refer to New Zealand GAAP or IFRSs.

Singapore

Since 2003, all Singapore-incorporated companies have been required to follow Singapore Financial Reporting Standards (FRSs) approved by the Council on Corporate Disclosure and Governance (CCDG), a body established by the government. The stated policy of the CCDG is that FRSs will be "closely modelled after the International Accounting Standards and International financial Reporting Standards issued by the International Accounting Standards Board".

With a few exceptions, the CCDG has adopted IFRSs as Singapore FRSs word for word. However, there are some exceptions.

The Singapore equivalents of IAS 16 (property, plant, and equipment), IAS 17 (leases), IAS 27 (consolidation), IAS 28 (equity method), and IAS 31 (joint ventures) all contain modifications from the IASs. Moreover, IAS 40 Investment Property has not yet been adopted in Singapore. The basis for presentation note and the auditor's report refer to conformity with Singapore GAAP, not conformity with IFRSs.

Convergence in India

Convergence between the IFRSs and Indian Accounting Standards may help investors understand financial statements prepared under one or the other of the accounting standards to some degree but would not guarantee the level of correctness of their understanding of the financial statements given the complexity of existing rules.

There have been many open gray areas that entail diverse interpretations and applications under Indian GAAP. However, we still believe that achieving convergence holds a solid legitimacy and paramount significance in ultimately attaining one single globally accepted set of accounting standards under which financial statements prepared are understandable to all users regardless of geographical diversification. Also, convergence itself once achieved will eliminate a fundamental need for reconciliation.

In India, the Institute of Chartered Accountants of India (ICAI) so far issued 32 Accounting Standards (excludes AS 8 which is withdrawn pursuant to AS 26 becoming mandatory). The IFRSs includes 41 IASs issued by the IASC and 8 IFRSs issued by the IASB It may be noted that 12 International Accounting Standards (IAS nos. 3, 4, 5, 6, 9, 13, 14, 15, 22, 25, 30 and 35) have already been withdrawn. The present status of comparative statement of IFRS with Indian ASs as on 1st May 2008 is given as **annexure**.

The following IFRSs do not have any differences with the corresponding Indian ASs which can be easily converged: IAS 11, Construction Contracts and IAS 23, Borrowing Costs.

The Tentative Time Table of convergence with IFRS is given below:

Convergence with IFRS – Tentative Time Table

2008-09

1. Finalize assessment of accounting policies with reference to IFRSs and plan for convergence

2. Obtain training and thorough knowledge of IFRS.

3. Commence assessment of accounting policies with reference to IFRSs and development of a plan for convergence.

4. Resolve the minor differences by issuing a composite exposure draft of modifications in the Indian ASs corresponding to the following IFRSs:
IAS 2, Inventories
IAS 7, Cash Flow Statements
IAS 20, Accounting for Government Grants and Disclosure of Government Assistance
IAS 33, Earnings Per Share
IAS 36, Impairment of Assets
IAS 38, Intangible Assets

5. Reach a level of technical preparedness by the industry and accounting professionals keeping in view the existing economic environment and other factors prevailing in India by issuing exposure drafts of Indian ASs corresponding to the following IFRSs:
IAS 18, Revenue

IAS 21, The Effects of Changes in Foreign Exchange Rates
IAS 26, Accounting and Reporting by Retirement Benefit Plans
IAS 40, Investment Property
IFRS 2, Share-based Payment
IFRS 5, Non-current Assets Held for Sale and Discontinued Operations

6. Issue of Exposure Drafts for the following corresponding IFRSs:
IAS 40, Investment Property
IAS 41, Agriculture
IFRS 2, Share-based Payment
IFRS 5, Non-current Assets Held for Sale and Discontinued Operations

7. Issue of new Indian AS based on Exposure Draft already issued:
AS 32, Financial Instruments: Disclosures

8. Issue of new Indian ASs based on Exposure Drafts for the following corresponding IFRSs:
IAS 40, Investment Property
IFRS 2, Share-based Payment
IFRS 5, Non-current Assets Held for Sale and Discontinued Operations

9. Determine the resolving mechanism (whether these should be taken up with the IASB or should be removed by the ICAI itself) of the following IFRSs having conceptual differences with the corresponding Indian ASs:
IAS 12, Income Taxes
IAS 24, Related Party Disclosures
IAS 41, Agriculture
IFRS 3, Business Combinations
IFRS 6, Exploration for and Evaluation of Mineral Resources
IFRS 8, Operating Segments

10. Other Actions
•Consider treatment of Indian ASs that will have no IFRS equivalent at the changeover
• Consider implications of IFRS 1
• Define criteria for assessment during progress review
• Consider need for disclosures on IFRS transition by publicly accountable enterprises that are not listed companies and approve exposure draft if necessary
• Determine basis for exposing existing IFRS for adoption into Indian GAAP
• Finalize definition of publicly accountable enterprises
• Complete progress review
• Announce changeover timing
• Finalize disclosures required prior to adoption, if necessary
• Issue omnibus exposure draft of existing IFRSs
• Consider need for temporary differences from IFRS at the changeover date in order to smoothly manage the transition.
• Consider the need for any temporary transitional considerations.

2009-10

1. Possible disclosure of an enterprise's plan for convergence and what effects the enterprise anticipates will arise with the change to IFRS.

2. Issue of new Indian AS based on Exposure Drafts for the following corresponding IFRS:
IAS 41, Agriculture

3. IFRSs having conceptual differences with the corresponding Indian ASs that should be taken up with the IASB.
IAS 17, Leases
IAS 19, Employee Benefits
IAS 27, Consolidated and Separate Financial Statements
IAS 28, Investments in Associates
IAS 31, Interests in Joint Ventures
IAS 37, Provisions, Contingent Liabilities and Contingent Assets

4. IFRSs having conceptual differences with the corresponding Indian ASs that should be taken up with the IASB or removed by the ICAI itself:
IAS 12, Income Taxes
IAS 24, Related Party Disclosures
IAS 41, Agriculture
IFRS 3, Business Combinations
IFRS 6, Exploration for and Evaluation of Mineral Resources
IFRS 8, Operating Segments

5. Issue of amendments and changes in relevant laws/ regulations (Companies Act, Reserve Bank of India norms etc.) for the compliance of the following IFRSs:
IAS 1, Presentation of Financial Statements
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10, Events After the Balance Sheet Date
IAS 16, Property, Plant and Equipment
IAS 32, Financial Instruments: Presentation
IAS 34, Interim Financial Reporting
IAS 39, Financial Instruments: Recognition and Measurement
IFRS 1, First-time Adoption of International Financial Reporting Standards
IFRS 4, Insurance Contracts

6. Adoption of the following IFRS upon full convergence as the “fallback” option where needed
IAS 29, Financial Reporting in Hyper-inflationary Economies

March 31, 2010

Same disclosure required as in 2008, but with a greater degree of quantification of the effects of the change to IFRSs.

An early adoption of IFRSs may be encouraged. However, such an adoption should be for all IFRSs and that it cannot be on selective basis.

2010-11

April 1, 2010

First year for collection of comparative information for inclusion with 2011 financial statements under new IFRS-based requirements.

Opening balance sheet for 2010 on IFRS basis required.

Valuations on certain items may be advisable for the opening balance sheet preparation, depending on accounting policy choices under IFRS, especially under IFRS 1, *First-time Adoption of International Financial Reporting Standards*.

March 31, 2011

Last year-end for reporting under existing Indian GAAP

2011-12

April 1, 2011

Changeover.

First year reporting under new IFRS-based standards.

Opening balance sheet for 2011 on IFRS basis required.

June 30, 2011

Enterprises issuing interim financial statements prepare their first IFRS-based statements for the three months ended June 30, 2011

September 30, 2011

Enterprises issuing interim financial statements prepare their first IFRS-based statements for the half-year ended September 30, 2011

March 31, 2012

End of first annual reporting period in accordance with new IFRS-based requirements including IFRS-based comparatives for 2010-11.

Conclusion

Companies in the EU and in Australia successfully made the change to IFRS in a shorter time frame than is anticipated for India; many commencing with a starting point far less well developed than current Indian accounting standards.

We can learn from their experiences. With careful planning, the changeover can be achieved successfully here too. With 2011 as the target date of IFRS adoption, preparers and regulators have four years to deliberate, apply and appreciate the consequences of these standards, which would ensure a smooth transition to IFRS.

Annexure

COMPARISON OF IASs/IFRSs AND INDIAN ASs
(as on May 1, 2008)

IASs/IFRSs	Indian ASs
IAS 1, Presentation of Financial Statements	AS 1, Disclosure of Accounting Policies
IAS 2, Inventories	AS 2, Valuation of Inventories
IAS 3, Consolidated Financial Statements (Superseded by IAS 27 and IAS 28)	---
IAS 4, Depreciation Accounting (Withdrawn since covered by IAS 16 and IAS 38)	AS 6, Depreciation Accounting
IAS 5, Information to Be Disclosed in Financial Statements (Superseded by IAS 1)	---
IAS 6, Accounting Responses to Changing Prices (Superseded by IAS 15)	---
IAS 7, Cash Flow Statements	AS 3, Cash Flow Statements
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors	AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
IAS 9, Accounting for Research and Development Activities (Superseded by IAS 38)	---
IAS 10, Events After the Balance Sheet Date	AS 4, Contingencies and Events Occurring after the Balance Sheet Date

IAS 11, Construction Contracts	AS 7, Construction Contracts
IAS 12, Income Taxes	AS 22, Accounting for Taxes on Income
IAS 13, Presentation of Current Assets and Current Liabilities (Superseded by IAS 1)	---
IAS 14, Segment Reporting (Superseded by IFRS 8)	---
IAS 15, Information Reflecting the Effects of Changing Prices (Withdrawn)	---
IAS 16, Property, Plant and Equipment	AS 10, Accounting for Fixed Assets
IAS 17, Leases	AS 19, Leases
IAS 18, Revenue	AS 9, Revenue Recognition
IAS 19, Employee Benefits	AS 15, Employee Benefits
IAS 20, Accounting for Government Grants and Disclosure of Government Assistance	AS 12, Accounting for Government Grants
IAS 21, The Effects of Changes in Foreign Exchange Rates	AS 11, The Effects of Changes in Foreign Exchange Rates
IAS 22, Business Combinations (Superseded by IFRS 3)	AS 14, Accounting for Amalgamations
IAS 23, Borrowing Costs	AS 16, Borrowing Costs
IAS 24, Related Party Disclosures	AS 18, Related Party Disclosures
IAS 25, Accounting for Investments (Superseded by IAS 39 and IAS 40)	AS 13, Accounting for Investments
IAS 26, Accounting and Reporting by Retirement Benefit Plans	Under Preparation.
IAS 27, Consolidated and Separate Financial Statements	AS 21, Consolidated Financial Statements
IAS 28, Investments in Associates	AS 23, Accounting for

	Investments in Associates in Consolidated Financial Statements
IAS 29, Financial Reporting in Hyperinflationary Economies	Not considered relevant in the Indian context.
IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions (Superseded by IFRS 7)	---
IAS 31, Interests In Joint Ventures	AS 27, Financial Reporting of Interests in Joint Ventures
IAS 32, Financial Instruments: Presentation	AS 31, Financial Instruments: Presentation
IAS 33, Earnings Per Share	AS 20, Earnings Per Share
IAS 34, Interim Financial Reporting	AS 25, Interim Financial Reporting
IAS 35, Discontinuing Operations (Superseded by IFRS 5)	AS 24, Discontinuing Operations
IAS 36, Impairment of Assets	AS 28, Impairment of Assets
IAS 37, Provisions, Contingent Liabilities and Contingent Assets	AS 29, Provisions, Contingent Liabilities and Contingent Assets
IAS 38, Intangible Assets	AS 26, Intangible Assets
IAS 39, Financial Instruments: Recognition and Measurement	AS 30, Financial Instruments: Recognition and Measurement
IAS 40, Investment Property	Under Preparation. At present covered by AS 13, Accounting for Investments.
IAS 41, Agriculture	Under Preparation.
IFRS 1, First-time Adoption of International Financial Reporting Standards	Not relevant to India at present.

IFRS 2, Share-based Payment	Under Preparation. Guidance Note Issued.
IFRS 3, Business Combinations	AS 14, Accounting for Amalgamations (Under Revision)
IFRS 4, Insurance Contracts	Under Preparation.
IFRS 5, Non-current Assets Held for Sale and Discontinued Operations	Under Preparation. At present covered by AS 24, Discontinuing Operations
IFRS 6, Exploration for and Evaluation of Mineral Assets	Guidance Note titled 'Accounting for Oil and Gas Producing Activities' Issued.
IFRS 7, Financial Instruments: Disclosures	AS 32, Financial Instruments: Disclosures (Exposure Draft Issued)
IFRS 8, Operating Segments	AS 17, Segment Reporting