



## GLOBALISATION AND FINANCIAL REPORTING

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### ABSTRACT

**A**ccounting is the generally termed as the language of business throughout the World .The Language is the means of communication of ideas or feelings by the use of Conventionalised signs, gestures, marks and articulated vocal sound. In the same way, the accounting language serves as a means to communicate matters relating to various Aspects of business operations. As the individual business enterprises keep their Accounting records separately, the offer to communicate is essentially from a business enterprise to various individuals, groups and institutions that are having interest in the operations and results of that enterprise.

**KEYWORDS-** *Globalisation , Financial Reporting , communication of ideas .*

### INTRODUCTION :

Accounting standards (AS) are written policy documents issued by an expert accounting body, or by

government or by regulatory body, covering the following aspects of accounting transactions in financial statements –

A. Recognition of Transactions and events in the financial statements.

B. Measurement of these transactions and events.

C. Presentations of these transactions and events in financial statements, in a meaningful and understandable manner.

D. Disclosure requirements in financial statements.

In India Since April 2010, the Securities Exchange Board of India (SEBI) has provided an option to listed entities having subsidiaries to submit their consolidated financial results either in accordance with the accounting standards specified in section 211(3C) of the Companies Act, 1956, or in accordance with IFRS . Submission of separate financial results to the stock exchanges will continue to be in accordance with Indian GAAP. In January 2015, the Indian Ministry of Corporate Affairs (MCA) released a revised roadmap that reflects that, in essence, companies with a net worth of Rs. 500 crore or more will have to mandatorily follow Indian Accounting Standards (Ind AS), which are largely converged with International Financial Reporting Standards (IFRSs), from 1 April 2016.

### MEANING OF IFRS-

IAS/IFRS is a single set of high quality, understandable and enforceable global accounting standards. It is a principles based set of standards which are drafted lucidly and are easy to understand and apply.

International Financial Reporting Standards comprise of International Financial Reporting Standards (IFRS) - standards issued after 2001. International Accounting Standards (IAS) - standards issued before 2001 Interpretations originated from the International Financial Reporting Interpretations Committee (IFRIC) – issued after 2001 Standing Interpretations Committee (SIC) - issued before 2001



In addition to the above, there is a “Framework for the Preparation and Presentation of Financial Statements”, which describes the principles underlying the IFRS.

### **IFRSS AS DEFINED IN STANDARDS-**

#### **Objectives of Accounting Standards:**

- A.To encourage the dissemination of timely and useful financial information to all the stakeholders and users.
- B.To provide a set of standard accounting policies, valuation norms and disclosure requirements
- C.To improve the quality of financial reporting, by promoting comparability, consistency and transparency
- D.To ensure disclosure of accounting principles and treatments, where important information is not otherwise statutorily required to be disclosed .
- E.To reduce /eliminate accounting alternatives, thereby leading to better inter firm and intra firm comparison of financial statements.
- F.To reduce scope Reative accounting i.e. twisting of accounting policies to produce financial statements favourable to a particular interested group.

### **ADOPTION OF IFRS WORLDWIDE AND IN INDIA-**

The use of International Financial Reporting Standards (IFRS) as a universal financial reporting language is gaining momentum across the globe. Several countries have implemented IFRS and converged their national GAAP to IFRS. More than 100 countries throughout the world, including the 27 European Union member states, require or permit the use of International Financial Reporting Standards (IFRSs), developed by the IASB. The number of countries adopting IFRS is expected to increase to 150 by the end of 2011. Countries such as China and Canada have announced their intention to adopt IFRS from 2008 and 2011 respectively. Adoption of IFRS has been approved by the Securities Exchange Commission (SEC) as well. The SEC has issued a roadmap whereby a few big US corporations would begin reporting according to IFRS by 2014. Full conversion would be done by 2016 depending upon the size of the entity.

### **IFRS - FAST GAINING ADOPTION AND ACCEPTANCE GLOBALLY:-**

The last two years have also seen significant momentum in the United States on converging from US GAAP to IFRS.The momentum started with the US Securities and Exchange Commission allowing foreign companies listed in the US to file financial statements prepared in accordance with IFRS (without a settlement to US GAAP) and continued with a proposal to evaluate IFRS convergence for all US Listed companies between 2014 and 2016.

### **Convergence with IFRS in India:**

In line with the global trend, the Institute of Chartered Accountants of India (ICAI) has proposed a roadmap for convergence with IFRS for certain defined entities (listed entities, banks and insurance entities and certain other large-sized entities) with effect from accounting periods commencing on or after April 1, 2011. Large-sized entities are defined as entities with turnover in excess of Rs.100 crores or borrowings in excess of Rs.25 crores.

**ICAI has classified IFRS into the following broad categories:**

<b>Category: I</b>	<b>Category II :</b>	<b>Category III :</b>	<b>Category IV :</b>
IFRS which can be adopted immediately or in the immediate future in view of no or minor differences (for example, construction contracts, borrowing costs, inventories).	IFRS which may require some time to reach a level of technical preparedness by the industry and professionals, keeping in view the existing economic environment and other factors (for example, share-based payments).	IFRS which have conceptual differences with the corresponding Indian Accounting Standards and where further dialogue and discussions with the IASB may be required (consolidation, associates, joint ventures, provisions and contingent liabilities).	IFRS, the adoption of which would require changes in laws/regulations because compliance with such IFRS is not possible until the regulations/laws are amended (for example, accounting policies and errors, property and equipment, first-time adoption of IFRS). In May 2011, the International Accounting Standards Board (the IASB) issued IFRS 10 Consolidated Financial Statements, which becomes effective for annual periods beginning on or after 1 January 2013. IFRS 10 must be applied retrospectively.

Source-Indian Accounting Standards (Ind AS): An Overview (Revised 2016)

**List of Reporting Standards and International Accounting Standards-**

The International Accounting Standards Committee (IASC) was founded in June 1973 in London and was replaced by the International Accounting Standards Board on 1 April 2001. It was responsible for developing the International Accounting Standards and promoting the use and application of these standards.

<b>NOS.</b>	<b>Title</b>	<b>Originally issued</b>	<b>Effective</b>	<b>Fully withdrawn</b>	<b>Superseded by</b>
IAS-1	Disclosure of Accounting Policies (1975) Presentation of Financial Statements (1997)	1975	January 1, 1975		
IAS-2	Valuation and Presentation of Inventories in the Context of the Historical Cost System (1975) Inventories (1993)	1976	January 1, 1976		
IAS-3	Consolidated Financial Statements	1976	January 1, 1977	January 1, 1990	IAS 27 and IAS 28
IAS-4	Depreciation Accounting	1976	January 1, 1977	July 1, 1999	IAS 36
IAS-5	Information to Be Disclosed in Financial Statements	1976	January 1, 1977	July 1, 1998	IAS 1
IAS-6	Accounting Responses to Changing Prices	1977	January 1, 1978	January 1, 1983	IAS 15
IAS-7	Statement of Changes in Financial Position (1977) Cash Flow Statements (1992) Statement of Cash Flows (2007)	1977	January 1, 1979		
IAS-8	Unusual and Prior Period Items and Changes in Accounting Policies (1978) Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies (1993) Accounting Policies, Changes in Accounting Estimates and Errors (2003)	1978	January 1, 1979		
IAS-9	Accounting for Research and Development Activities	1978	January 1, 1980	July 1, 1999	IAS 38
IAS-10	Contingencies and Events Occurring After the Balance Sheet Date (1978) Events After the Balance Sheet Date (1999) Events after the Reporting Period (2007)	1978	January 1, 1980		

IAS-11	Accounting for Construction Contracts (1979)Construction Contracts (1993)	1979	January 1, 1980		
IAS-12	Accounting for Taxes on Income (1979)Income Taxes (1996)	1979	January 1, 1981		
IAS-13	Presentation of Current Assets and Current Liabilities	1979	January 1, 1981	July 1, 1998	IAS 1
IAS-14	Reporting Financial Information by Segment (1981)Segment reporting (1997)	1981	January 1, 1983	January 1, 2009	IFRS 8
IAS-15	Information Reflecting the Effects of Changing Prices	1981	January 1, 1983	January 1, 2005	N/A
IAS-16	Accounting for Property, Plant and Equipment (1982)Property, Plant and Equipment (1993)	1982	January 1, 1983		
IAS-19	Accounting for Retirement Benefits in Financial Statements of Employers 1983)Retirement Benefit Costs (1993)Employee Benefits (1998)	1983	January 1, 1985		
IAS-20	Accounting for Government Grants and Disclosure of Government Assistance	1983	January 1, 1984		
IAS-21	Accounting for the Effects of Changes in Foreign Exchange Rates (1983)The Effects of Changes in Foreign Exchange Rates (1993)	1983	January 1, 1985		
IAS-22	Accounting for Business Combinations (1983)Business Combinations (1993)	1983	January 1, 1985	April 1, 2004	IFRS 3
IAS-23	Capitalization of Borrowing Costs (1984)Borrowing Costs (1993)	1984	January 1, 1986		
IAS-24	Related Party Disclosures	1984	January 1, 1986		
IAS-25	Accounting for Investments	1986	January 1, 1987	January 1, 2001	IAS 39 and IAS 40
IAS-26	Accounting and Reporting by Retirement Benefit Plans	1987	January 1, 1988		
IAS-27	Consolidated Financial Statements and Accounting for Investments inSubsidiaries(1989)Consolidated and Separate Financial Statements (2003)Separate Financial Statements (2011)	1989	January 1, 1990		
IAS-28	Accounting for Investments in Associates(1989)Investments in Associates & ASSOCIATES (2003) Investments in Associates and Joint Ventures (2011)	1989	January 1, 1990		
IAS-29	Financial Reporting in Hyperinflationary Economies	1989	January 1, 1990		

IAS-30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	1990	January 1, 1991	January 1, 2007	IFRS 7
IAS-31	Financial Reporting of Interests in Joint Ventures (1990) Interests in Joint Ventures (2003)	1990	January 1, 1992	January 1, 2013	IFRS 11 and IFRS 12
IAS-32	Financial Instruments: Disclosure and Presentation (1995) Financial Instruments: Presentation (2005)	1995	January 1, 1996		
IAS-33	Earnings per Share	1997	January 1, 1999		
IAS-34	Interim Financial Reporting	1998	January 1, 1999		
IAS-35	Discontinuing Operations	1998	July 1, 1999	January 1, 2005	IFRS 5
IAS-36	Impairment of Assets	1998	July 1 1999		
IAS-37	Provisions Contingent liabilities and contingent Assets	1998	July 1, 999		
IAS-38	Intangible Assets	1998	July 1, 1999		
IAS-40	Investment Property	2000	January 1, 2001		
IAS-41	Agriculture	2000	January 1, 2003		

List of IFRS			
IFRS 1	First time adoption if IFRS	2003	January 1, 2004
IFRS 2	Share based payments	2004	January 1, 2005
IFRS 3	Business Combinations	2004	April 1, 2004
IFRS 4	Insurance Contracts	2004	January 1, 2005
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	2004	January 1, 2005
IFRS 6	Exploration for and Evaluation of Mineral Resources	2004	January 1, 2006
IFRS 7	Financial Instruments: Disclosures	2005	January 1, 2007
IFRS 8	Operating Segments	2006	January 1, 2009
IFRS 10	Consolidated Financial Statements	2011	January 1, 2013
IFRS 11	Joint Arrangements	2011	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	2011	January 1, 2013
IFRS 13	Fair Value Measurement	2011	January 1, 2013
IFRS 14	Regulatory Deferral Accounts	2014	January 1, 2016

[https://en.wikipedia.org/wiki/International\\_Accounting\\_Standards\\_Committee](https://en.wikipedia.org/wiki/International_Accounting_Standards_Committee)

Source-Indian Accounting Standards (Ind AS):An Overview (Revised 2016)

source-[https://en.wikipedia.org/wiki/International\\_Accounting\\_Standards\\_Committee](https://en.wikipedia.org/wiki/International_Accounting_Standards_Committee)

**List of Notified Ind – AS and there corresponding**

Notified IND AS	IFRS	Title
Ind AS- 101	IFRS 1	First time adoption of Ind AS IFRS
Ind AS- 102	IFRS 2	Share Based Payments
Ind AS- 103	IFRS 3	Business Combinations
Ind AS- 104	IFRS 4	Insurance Contracts
Ind AS- 105	IFRS 5	Non-Current Assets held for sale and discontinued operations
Ind AS- 106	IFRS 6	Exploration for and evaluation of mineral resources
Ind AS- 107	IFRS 7	Financial instruments disclosure

Ind AS- 108	IFRS 8	Operating segments
Ind AS-1	IAS 1	Presentation of Financial Statements
Ind AS-2	IAS 2	Inventories
Ind AS-7	IAS 7	Statement of Cash Flow
Ind AS-8	IAS 8	Accounting Polics Change in Accounting Estimates and errors
Ind AS-10	IAS 10	Events after the reporting period
Appendix A to Ind AS – 10	IFRIC 17	Distribution of non-cash assets to owners
Ind AS 11	IAS 11	Construction contracts
Appendix A to Ind AS 11	IFRIC 12	Service construction arrangements
Appendix B to Ind AS 11	SIC 29	Service construction arrangements – disclosures
Ind AS 12	IAS 12	Income Taxes
Appendix A Ind AS 12	SIC 21	Income Taxes – Recovery of Revalued non depreciable assets
Appendix B Ind AS 12	SIC 25	Income Taxes – Change in Tax status of an entity or its shareholders
Ind AS 16	IAS 16	Property plant and equipment
Appendix A Ind AS 16	IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities
Ind AS 17	IAS 17	Lease
Appendix A Ind AS 17	SIC 15	Operative lease incentives
Appendix B Ind AS 17	SIC 27	Evaluating the substance of transactions involving the legal form of lease
Appendix C Ind AS 17	IFRIC 4	Determining whether an arrangement contains a lease
Ind AS 18	IAS 18	Revenue
Appendix A Ind AS 18	SIC 31	Revenue – barter transactions involving advertising services
Appendix B Ind AS 18	IFRIC 13	Customer loyalty programs
Appendix C Ind AS 18	IFRIC 18	Transfer of Assets from customers
Ind AS 19	IAS 19	Employee benefits
Appendix A Ind AS 19	IFRIC 14	A limit on a deferred benefit assets, minimum funding requirements and their interaction
Ind AS 20	IAS 20	Accounting for government grants and disclosure of government assistance
Appendix A Ind AS 20	SIC 10	Government assistance – no specific relation to operating activity
Ind AS – 21	IAS 21	The effect of changes of foreign exchange rates
Ind AS – 23	IAS 23	Borrowing costs
Ind AS – 24	IAS 24	Related party disclosures
Ind AS – 27	IAS 27	Consolidated and separate financial statement
Appendix A Ind AS 27	SIC 12	Consolidation – specific purpose entities
Ind AS – 28	IAS 28	Investment in associates
Ind AS – 29	IAS 29	Financial reporting in hyperinflationary economies
Appendix A Ind AS 29	IFRIC 7	Applying the re statement approach for IAS – 29 (Ind AS 29)
Ind AS – 31	IAS 31	Interest in joint ventures
Appendix A Ind AS 31	SIC 13	Joint control entities – non monetary contribution by venture
Ind AS – 32	IAS 32	Financial Instruments – Presentation
Ind AS – 33	IAS 33	Earnings per share
Ind AS – 34	IAS 34	Interim financial reporting
Appendix A Ind AS 34	IFRIC 10	Interim financial reporting and impairment
Ind AS – 36	IAS 36	Impairment of Assets
Ind AS – 37	IAS 37	Provisions, contingent liabilities and contingent assets
Appendix A Ind AS 37	IFRIC 5	Rights to interest arising from decommission restoration, and environmental rehabilitation funds.
Appendix B Ind AS 37	IFRIC 6	Liabilities arising from participation in a specific market waste electrical and electrical equipment's
Ind AS – 38	IAS 38	Intangible assets
Appendix A Ind AS 38	SIC 32	Intangible assets – costs
Ind AS – 39	IAS 39	Financial instruments: recognitions and measurements

Appendix C Ind AS 38	IFRIC 9	Reassessment of embedded derivatives
Appendix D Ind AS 39	IFRIC 16	Hedges of net investment in foreign operations
Appendix E Ind AS 39	IFRIC 19	Extinguishing financial liabilities with equity instruments
Ind AS – 40	IAS 40	Investment property

Reference-CA.G.Sekar and CA.B.Sarvana Prasat -Accounting For CA INTER (IPC) 2016

Note: The notified IND AS are a combination of IFRS, IFRS Interpretation, IAS and SIC

\* Ind AS – Indian Accounting Standard

\*\* IFRS – International Financial Reporting Standards

\*\*\* IFRIC – International Financial Reporting Interpretation Committee

\*\*\*\* SIC – Standards Interpretation Committee

### Disadvantages of Accounting Standards

A. In some cases alternative solutions to specific accounting problem may have valid supportive arguments. Choice of any one solution becomes difficult.

B. Standards may be applied in an inflexible and rigid manner, focusing more on form than substance.

C. Standards cannot override the statute and should be framed within the frame of law.

### CONCLUSION-

AS standards were published between 1973 and 2001, while IFRS standards were published from 2001 onwards. AS standards were issued by the IASC, while the IFRS are issued by the IASB, which succeeded the IASC. Principles of the IFRS take priority if there's inconsistency with those of the IAS, and these results in the IAS principles being dropped. As the timelines for convergence approach, all units will have to consider their own roadmap and gear up for complying with the GAAP differences. Convergence to IFRS will be time-consuming, challenging and will require complete support and support of the Board of Directors/Members of Audit Committee/Senior Management. Given the task and challenges, all entities should ensure that their convergence plans are designed in a manner to attain the objective of doing it once, but doing it right.

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