





Leading Indian corporates are preparing to adopt the International Financial Reporting Standards (IFRS) which will come into force globally from April 1, 2011. Consultants and experts are training chartered accountants to enable a smooth switch-over, says **R Nagesh**.

THE ROAD TO CONVERGENCE



CHIEF finance officers, chartered accountants, finance directors and other top executives in the accounts and finance departments of top Indian corporates are busy preparing for a major shift in accounting norms. India Inc is readying for convergence with global accounting standards.

A 'core group' constituted by the Ministry of Corporate Affairs has set the roadmap for convergence of Indian Accounting Standards with the International Finance Reporting Standards (IFRS). The Institute of Chartered Accountants

of India (ICAI), through its Accounting Standards Board (ASB) is formulating the new norms to ensure convergence with the IFRS.

Says Jamil Khatri, head of accounting advisory services, KPMG, a leading international provider of risk, financial and business advisory, internal audit, corporate governance, and tax and regulatory services: "Approximately 150 countries have either adopted or announced timelines for adoption of IFRS. These countries will require use of IFRS by 2011."

The Ministry has decided to imple-

ment convergence with the IFRS from 2011 in a phased manner. Convergence with the new global standards will benefit not just the Indian economy, but also investors, the industry and accounting professionals.

Mr Salman Khurshid, the Minister of Corporate Affairs, says that convergence with IFRS will help India – a country with one of the largest pool of young accountants – gain enormously in the field of accountancy. This would be akin to the 'software revolution' that was triggered off in recent years by the enormous talent of skilled engineers and developers, he adds.

'A SEAMLESS SHIFT TO IFRS IS LIKELY'

An interview with **Jamil Khatri**, head of accounting advisory services, KPMG India, on the introduction of International Financial Reporting Standards (IFRS):

What kind of preparations are being made by India Inc - at least the large corporates - to ensure that they adopt IFRS by April 2011?

Several large corporates have set up internal IFRS teams and have appointed external IFRS advisors. The focus of current preparatory activities is on identifying the changes in accounting policies and principles that will be required by IFRS convergence; training people; creating awareness amongst all stakeholders about the changes; identifying changes to information technology (IT) and data capture systems.

Most companies will use the output of these activities to prepare a proforma IFRS balance sheet as at April 1, 2010, in preparation of mandatory preparation as at April 1, 2011 (for phase 1 companies)

What kind of training is being provided by experts from companies/consultants such as KPMG to ensure that Indian accountants get acquainted with these standards?

Training and awareness is being created by KPMG at three levels. Firstly, KPMG is providing customised IFRS training to several leading corporates. Second,



Jamil Khatri

KPMG and NIIT Imperia have designed an IFRS certification course for corporate professionals and students.

Participants can register and participate through approximately 20 NIIT Imperia Virtual classrooms. Currently, six batches of this certification are in progress with more than 500 registered

participants. Lastly, KPMG creates awareness and imparts training on practical emerging issues through its IFRS Institute Forum. Registered members are eligible to receive updates on technical and regulatory developments around IFRS and also participate in IFRS-related webcasts and conference calls. More than 2,500 professionals have registered as members. Membership of this forum is currently free.

How many countries around the world have adopted IFRS?

Approximately 150 countries have either adopted or announced timelines for adoption of IFRS. These countries will require use of IFRS by 2011.

What would be the major advantages for Indian corporates in adopting these new standards?

Adoption of these standards will make financial statements prepared by Indian companies more relevant and understandable for international stakeholders and investors. Further, a converged set of standards will enable Indian companies to freely raise capital in most overseas capital markets (including the US) without the effort of converting the financial statements from Indian Generally Accepted Accounting Principles

The objective of converging accounting standards worldwide with the IFRS is to ensure a uniform 'accounting' language across the globe.

According to accounting professionals, convergence with the IFRS would result in huge savings of capital for Indian firms raising funds abroad and also in savings in terms of not preparing a separate set of financial statements.

Importantly, for accounting professionals, this throws up enormous opportunities globally as they would be able to export their services worldwide, just as software developers have been doing in

recent years.

The first phase of convergence – to become effective from April 1, 2011 in case of firms whose financial year begins on that date – will cover companies whose scrips comprise the Nifty 50 on the National Stock Exchange (NSE) and the Sensex 30 on the Bombay Stock Exchange (BSE), besides listed and unlisted companies with net worth in excess of US\$ 225 million.

The second phase will cover listed or unlisted companies with net worth between US\$ 113 million and US\$ 225 million, to be effective from April 1,

2013. The third phase will relate to listed companies with a net worth below US\$ 113 million and will be effective from April 1, 2014.

Similarly, banks, insurance and non-banking financial companies also have to follow the roadmap for convergence, beginning April 1, 2013.

Non-listed companies with net worth below US\$ 113 million and small and medium enterprises can voluntarily opt for convergence with IFRS, but it is not compulsory in their case.

The ICAI, which is the nodal agency for implementing IFRS in the country,

(GAAP) to IFRS.

Global companies with operations in India and Indian companies with global operations can maintain one set of accounting records without the administrative burden of different reporting for different purposes (for example, different reporting to Indian statutory authorities and different reporting to overseas parent company)

Do you foresee a seamless shift to IFRS by April 2011 by major Indian companies and groups?

Yes. We believe that the core group and the Ministry of Corporate Affairs have now provided sufficient regulatory clarity to enable timely preparation. Several large companies that will be impacted in phase 1 have started preparatory efforts. Given that not more than 500 companies will be affected in phase 1, we believe that a seamless shift is likely.

How long do you think will it take for the rest of the corporate world to adopt these standards?

The advantage of a phased approach is that medium-sized and small companies will benefit from the experience of the larger companies. This will reduce cost of compliance and provide knowledge transfer for these companies. We are confident that most listed companies will be able to transition successfully as per the timelines announced (latest by April 1, 2014).

GEARING UP FOR CONVERGENCE

THE Institute of Chartered Accountants of India (ICAI), which initiated a series of 'chain' workshops on convergence with the IFRS, has assured the government that the training being imparted will be of high quality and affordable.

The ICAI launched intensive training workshops in 58 cities across India from May 2010 to ensure that the convergence process is smooth and meets the stipulated deadlines. The ICAI is undertaking training programmes of short duration to meet the varying requirements of different entities/individuals.

It is conducting two types of training workshops:

- Two-day training workshops have been designed to equip ICAI members, corporates and other stake holders with the essential knowledge in Indian Accounting Standards converged with the IFRS, covering aspects such as 'Introduction and dissemination of knowledge on Indian Accounting Standards converged with IFRS,' and 'Comparison of IFRSs with converged Indian Accounting Standards'.
- One-day training workshops have been specially designed with the objective of equipping the ICAI members and others with a general overview of the Indian Accounting Standards converged with the IFRS to

enable them to develop an approach for acquiring structured knowledge about the same.

ICAI has already started a massive exercise to train its members in industry as well as in the practice. Last year, it launched an extensive 100 hours certificate course in IFRS. So far, about 1,600 members have successfully undergone the training of the IFRS certificate course. Besides this, the ICAI has also conducted several seminars and conferences on IFRS to discuss various aspects related to convergence.





is organising a series of all-India 'chain workshops' on the convergence of Indian Accounting Standards with the IFRS. It has launched an extensive, 100-hour certification course in IFRS, besides undertaking short-duration training programmes.

The programmes are being held across India in dozens of cities to prepare the accounting community to meet the deadlines.

The ministry's core group on IFRS has also initiated talks with the IFRS Council of Japan to collaborate on a common platform on various economic and corporate regulation related issues including convergence of accounting standards with IFRS.

The ICAI will provide education and

About 150 countries have either adopted or announced timelines for introduction of IFRS by 2011.

Jamil Khatri,
head of accounting advisory services,
KPMG

IFRS technical support, foster a strong cohesive profession by providing leadership on emerging issues in IFRS along with the Japanese Institute of Certified Public Accountants.

International accounting firms and consultancies, including KPMG, Ernst & Young, Deloitte and PricewaterhouseCoopers, besides several Indian accounting companies, have also launched training programmes to meet the huge demand from corporates that have to converge their norms with the IFRS.

With a new chapter unfolding in the field of accounting in India, companies are gearing up to meet the new norms, which would help them in not just accessing funds abroad, but also in international mergers and acquisitions. 🌱