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Over 400 firms covered in phase-I.

Road map

Phase-I to be completed by April 2011

ICAI considering including venture capital funds also in the convergence process

Institute may make simpler norms for small and medium enterprises

Arun S.

New Delhi, Nov. 13 The Institute of Chartered Accountants of India (ICAI) has brought out a list of over 400 companies that should converge their accounting practices with International Financial Reporting Standards (IFRS) by April 2011.

IFRS — issued by International Accounting Standards Board — is acknowledged by 113 countries. This is ICAI's first list and more companies would be added on its next list, sources said.

The first list comprises 439 companies. It includes BSE-Sensex companies, NSE-Nifty companies, companies that have raised debt of over \$50 million abroad, financial sector companies, publicly accountable companies (with total borrowings of over Rs 1,000 crore), Indian subsidiaries of foreign companies that have implemented IFRS at the parent company and companies outside these categories with capital of over \$50 million abroad.

Significantly, ICAI is mulling including venture capital funds also in the IFRS convergence process.

The first list includes BSE and NSE companies (totalling 52), 44 insurance companies, 46 mutual fund companies, 37 Indian banks with presence only in India, 30 foreign banks with a presence in India, eight Indian banks with overseas branches, one Indian bank with subsidiaries or joint ventures abroad (Central bank of India) and four Indian banks with representative offices abroad.

Then there are 217 companies including Air India Charters, Indian Railway Finance Corporation, Reliance Ports & Terminals, Jet Lite, Educomp Solutions, Exim Bank, TVS Motor, GMR Energy, GVK Power & Infrastructure, Godrej Industries, NHPC, RNRL, Videocon and Wockhardt.

IFRS convergence will entail a change in the accounting process. Mr Rahul Roy, Director, Ernst & Young, said, “Depending on a company’s complexity, it will need a change in its IT and ERP systems, besides management information system. Besides, companies will have to employ valuers for various valuations.”

IFRS compliance is a huge opportunity for consultants, IT companies and tax experts. The cost of compliance will range from Rs 10-12 crore for a big company to Rs 8-10 lakh for a small company.

But finance professionals who have not updated their IFRS skills will become obsolete while IFRS experts will command a premium salary, Mr Roy said.

Companies will have to train their accounts and finance personnel on IFRS. After IFRS convergence, benchmarking Indian companies with their global peers will be more accurate.

ICAI will hold talks on IFRS convergence with SEBI, IRDA, RBI and the Corporate Affairs Ministry on the changes in SEBI guidelines, IRDA rules and regulations, the Banking Regulation Act, Companies Act and National Advisory Committee on Accounting Standards notifications.

ICAI will convene talks with companies in oil and gas, aviation, pharma and textiles to evaluate the sectoral impact. It will follow the IASB’s programmes on converging IFRS with US Generally Accepted Accounting Principles. ICAI could also evolve separate and simpler IFRS norms for small and medium enterprises as such companies lack the resources to converge with IFRS.

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